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83^D CONGRESS
2^D SESSION

S. 3507

IN THE SENATE OF THE UNITED STATES

MAY 24 (legislative day, MAY 13), 1954

Mr. CARLSON introduced the following bill; which was read twice and referred to the Committee on Post Office and Civil Service

A BILL

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Federal Employees’
4 Group Life Insurance Act of 1954.”

5 SEC. 2. (a) Except as provided in (b) of this section,
6 each appointive or elective officer or employee (hereinafter
7 called employee) in or under the executive, judicial, or legis-

1 lative branch of the United States Government, including
2 a Government owned or controlled corporation, and of the
3 municipal government of the District of Columbia shall,
4 at such time and under such conditions of eligibility as the
5 Civil Service Commission (hereinafter called the Commis-
6 sion) may by regulation prescribe, come within the pur-
7 view of this Act: *Provided*, That regulations excluding em-
8 ployees on the basis of the nature and type of employment
9 or conditions pertaining thereto shall be issued only after
10 consultation with the head of the department, establish-
11 ment, agency, or other employing authority concerned.

12 (b) This Act shall not apply to noncitizen employees
13 whose permanent duty station is located outside a State of
14 the United States or the District of Columbia, nor shall it
15 apply to commissioned officers and enlisted personnel on ac-
16 tive duty in or with the Army, Navy, Air Force, Marine
17 Corps, or Coast Guard of the United States, who have
18 indemnity coverage under the Servicemens' Indemnity Act
19 of 1951 (65 Stat. 33).

20 SEC. 3. (a) Each employee to whom this Act applies
21 shall be eligible to be insured for an amount of group life
22 insurance approximating his annual compensation not ex-

ceeding \$20,000 plus an equal amount of group accidental death insurance, in accordance with the following schedule:

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death insurance shall be—
Greater than	But not greater than		
0	\$1, 000	\$1, 000	\$1, 000
\$1, 000	2, 000	2, 000	2, 000
2, 000	3, 000	3, 000	3, 000
3, 000	4, 000	4, 000	4, 000
4, 000	5, 000	5, 000	5, 000
5, 000	6, 000	6, 000	6, 000
6, 000	7, 000	7, 000	7, 000
7, 000	8, 000	8, 000	8, 000
8, 000	9, 000	9, 000	9, 000
9, 000	10, 000	10, 000	10, 000
10, 000	11, 000	11, 000	11, 000
11, 000	12, 000	12, 000	12, 000
12, 000	13, 000	13, 000	13, 000
13, 000	14, 000	14, 000	14, 000
14, 000	15, 000	15, 000	15, 000
15, 000	16, 000	16, 000	16, 000
16, 000	17, 000	17, 000	17, 000
17, 000	18, 000	18, 000	18, 000
18, 000	19, 000	19, 000	19, 000
19, 000	-----	20, 000	20, 000

(b) Each such employee shall also be eligible to be insured for an amount of dismemberment insurance in accordance with schedules to be prescribed by the Commission.

(c) The Commission shall by regulation provide for the conversion of other than annual rates of compensation to an annual basis, and shall further specify the types of compensation to be included in annual compensation.

(d) Each of such amounts of insurance shall, without reduction in cost to the employee, be reduced by 2 per centum thereof at the end of each full calendar month following the

1 later of (1) the date the employee attains age sixty-five or
2 (2) one year after the date he shall first become insured
3 under this Act, subject to minimum amounts prescribed by
4 the Commission, but not less than 25 per centum of the insur-
5 ance in force on such later date.

6 SEC. 4. Any amount of group life insurance and group
7 accidental death insurance in force on any employee at the
8 date of his death shall be paid, upon the establishment of a
9 valid claim therefor, to the person or persons surviving at the
10 date of his death, in the following order of precedence:

11 First, to the beneficiary or beneficiaries as the employee
12 may have designated by a writing received in the employing
13 office prior to death;

14 Second, if there be no such beneficiary, to the widow
15 or widower of such employee;

16 Third, if none of the above, to the child or children
17 of such employee and descendants of deceased children by
18 representation;

19 Fourth, if none of the above, to the parents of such em-
20 ployee or the survivor of them;

21 Fifth, if none of the above, to the duly appointed execu-
22 tor or administrator of the estate of such employee;

23 Sixth, if none of the above, to other next of kin of such
24 employee entitled under the laws of domicile of such em-
25 ployee at the time of his death.

1 If any person otherwise entitled to payment under this
2 section does not make claim therefor within one year after
3 the death of the employee, or if payment to such person
4 within that period is prohibited by Federal statute or regula-
5 tion, payment may be made in the order of precedence as
6 if such person had predeceased the employee, and any such
7 payment shall be a bar to recovery by any other person.

8 SEC. 5. (a) During any period in which an employee
9 is insured under a policy of insurance purchased by the Com-
10 mission as authorized in section 7 of this Act, there shall be
11 withheld from each salary payment of such employee, as
12 his share of the cost of his group life and accidental death
13 and dismemberment insurance, an amount determined by the
14 Commission, but not to exceed the rate of 25 cents biweekly
15 for each \$1,000 of his group life insurance: *Provided*, That
16 an employee who is paid on other than a biweekly basis
17 shall have an amount so withheld, determined at a propor-
18 tionate rate, which rate shall be adjusted to the nearest cent.

19 Any policy of insurance purchased by the Commission as
20 authorized in section 7 of this Act shall provide that all em-
21 ployees eligible under the terms of this Act will be auto-
22 matically insured thereunder commencing on the date they
23 first become so eligible: *Provided*, That any employee de-
24 siring not to be so insured shall, on an appropriate form to
25 be prescribed by the Commission, give written notice to his

1 employing office that he desires not to be insured. If such
2 notice is received before the employee shall have become in-
3 sured under such policy, he shall not be so insured; if it is
4 received after he shall have become insured, his insurance
5 under the policy will cease effective with the end of the pay
6 period during which the notice is received by the employing
7 office.

8 (b) For each period in which an employee is insured
9 under a policy of insurance purchased by the Commission as
10 authorized in section 7 of this Act, there shall be contributed
11 from the respective appropriation or fund which is used for
12 payment of his salary, wage, or other compensation (or, in
13 the case of an elected official, from such appropriation or fund
14 as may be available for payment of other salaries of the same
15 office or establishment) a sum computed at a rate determined
16 by the Commission, but not to exceed one-half the amount
17 withheld from the employee under this section.

18 (c) The sums withheld from employees under sub-
19 section (a) and the sums contributed from appropriations
20 and funds under subsection (b) shall be deposited in the
21 Treasury of the United States to the credit of a fund which
22 is hereby created. Said fund is hereby made available with-
23 out fiscal year limitation for premium payments under any
24 insurance policy or policies purchased as authorized in section
25 7 of this Act, and for any expenses incurred by the Com-

1 mission in the administration of this Act within such limita-
2 tions as may be specified annually in appropriation acts:

3 *Provided*, That appropriations available to the Commission
4 for salaries and expenses for the fiscal year 1955 shall be
5 available on a reimbursable basis for necessary administrative
6 expenses of carrying out the purposes of this Act until said
7 fund shall be sufficient to provide therefor. The income
8 derived from any dividends or premium rate adjustments
9 received from insurers shall constitute a part of said fund.

10 SEC. 6. Each policy purchased under this Act shall
11 contain a provision, in terms approved by the Commission,
12 to the effect that any insurance thereunder on any employee
13 shall cease upon his separation from the service or twelve
14 months after discontinuance of his salary payments, which-
15 ever first occurs, subject to a provision which shall be con-
16 tained in the policy for temporary extension of coverage and
17 for conversion to an individual policy of life insurance under
18 conditions approved by the Commission, except that if upon
19 such date as the insurance would otherwise cease the em-
20 ployee (a) has had 15 years of creditable civilian service, as
21 determined by the Commission, and (b) retires on an imme-
22 diate annuity, his life insurance only may, under conditions
23 determined by the Commission, be continued without cost
24 to him in the amount in force on his life on the date of
25 cessation of his salary payments until he attains age sixty-

1 five after which time such amount shall be reduced by 2 per
2 centum thereof at the end of each full calendar month, subject
3 to minimum amounts prescribed by the Commission, but not
4 less than 25 per centum of the insurance in force on such
5 later date.

6 SEC. 7. (a) The Commission is authorized, without re-
7 gard to section 3709 of the Revised Statutes as amended, to
8 purchase from one or more life insurance companies, as deter-
9 mined by it, and such company or companies are authorized
10 to issue without regard to restrictions in any other law, a
11 policy or policies of group life and accidental death and dis-
12 memberment insurance to provide the benefits specified in
13 this Act: *Provided*, That any such company must meet the
14 following requirements: (1) Be licensed under the laws of
15 forty-eight of the States of the United States and the District
16 of Columbia to transact life and accidental death and dis-
17 memberment insurance, and (2) the amount of its employee
18 group life insurance on the most recent December 31 for
19 which information is available to the Commission shall on
20 that date equal at least 1 per centum of the total amount of
21 employee group life insurance in the United States in all life
22 insurance companies.

23 (b) The life insurance company or companies issuing
24 such policy or policies shall establish an administrative office
25 under a name to be approved by the Commission.

(c) The Commission shall arrange with the life insurance company or companies issuing any policy or policies purchased under this Act to reinsure, under conditions approved by it, portions of the total amount of insurance under the policy or policies, determined as provided in subsection (d) of this section, with such other life insurance companies as may elect to participate in such reinsurance and which meet the following requirements: (1) Any such company shall be licensed under the laws of a State of the United States or the District of Columbia to transact life and accidental death and dismemberment insurance, and (2) on the December 31 next preceding its election to participate in such reinsurance, it shall have had employee group life insurance in force on employees of at least twenty-five different employers.

(d) The Commission shall determine a formula so that the amount of insurance in force to be retained by each issuing company after ceding reinsurance and the total amount of reinsurance ceded to each reinsuring company shall be in proportion to the total amount of each such company's group life insurance in force in the United States on December 31, 1953: *Provided*, That in determining such proportions, that portion of any company's group life insurance in force on December 31, 1953, which is in excess of \$100,000,000 shall

1 be reduced by 25 per centum of the first \$100,000,000 of
2 such excess, 50 per centum of the second \$100,000,000 of
3 such excess, 75 per centum of the third \$100,000,000 of
4 such excess, and 95 per centum of any excess thereafter:
5 *Provided further*, That the amount retained by or ceded to
6 any company shall not exceed 25 per centum of the amount
7 of that company's total life insurance in force in the United
8 States on December 31, 1953: *Provided further*, That if,
9 at the end of one year following the date of enactment of
10 this Act, in the case of any issuing company or reinsurer
11 which insured employees of the Federal Government on De-
12 cember 31, 1953, under policies issued to an association of
13 Federal employees, the amount which results from the ap-
14 plication of this formula is less than the decrease, if any,
15 in the amount of such company's insurance under such poli-
16 cies, the amount allocated to such company shall, upon the
17 first reallocation as provided in subsection (e) of this sec-
18 tion, be increased to the amount of such decrease: *And pro-*
19 *vided further*, That in determining eligibility under subsec-
20 tion (c) of this section, the group life insurance under poli-
21 cies issued to associations of Federal employees shall be con-
22 sidered employee group life insurance.

23 (e) The companies eligible to participate as rein-
24 surers, and the amount of insurance under the policy or
25 policies to be allocated to each issuing company or reinsurer

1 may be redetermined by the Commission for and in advance
2 of any policy year after the first, on a basis consistent with
3 subsections (c) and (d) of this section, with any modifica-
4 tions thereof it deems appropriate to carry out the intent
5 of such subsections, and based on each participating com-
6 pany's group life insurance in force, excluding that under
7 any policy or policies purchased under this Act except in the
8 case of companies covered in the third proviso of subsection
9 (d), in the United States on the most recent December 31
10 for which information is available to it, and shall be so
11 redetermined in a similar manner not less often than every
12 three years or at any time that any participating company
13 withdraws from participation.

14 (f) Any issuing company or reinsurer may elect to
15 withdraw from such participation at the end of any policy
16 year, upon six months' notice to the Commission. The Com-
17 mission may at any time discontinue any policy or policies
18 it has purchased from any insurance company.

19 SEC. 8. (a) Each policy or policies purchased under this
20 Act shall include, for the first policy year, basic tables of
21 premium rates as follows:

22 (1) For group life insurance, a schedule of basic pre-
23 mium rates by age which the Commission shall have de-
24 termined on a basis consistent with the lowest schedule of
25 basic premium rates generally charged for new group life

1 insurance policies issued to large employers, this schedule of
2 basic premium rates by age to be applied, except as other-
3 wise provided in this section, to the distribution by age of
4 the amounts of group life insurance under the policy at its
5 date of issue to determine an average basic premium rate
6 per \$1,000 of life insurance, and

7 (2) For group accidental death and dismemberment
8 insurance, a basic premium rate which the Commission shall
9 have determined on a basis consistent with the lowest rate
10 generally charged for new group accidental death and dis-
11 memberment insurance policies issued to large employers.

12 Each policy so purchased shall also include provisions
13 whereby the basic rates of premium determined for the first
14 policy year shall be continued for subsequent policy years,
15 except that they may be readjusted for any subsequent year,
16 based on the experience under the policy, such readjustment
17 to be made by the insurance company or companies issuing
18 the policy on a basis determined by the Commission in ad-
19 vance of such year to be consistent with the general prac-
20 tice of life insurance companies under policies of group life
21 and group accidental death and dismemberment insurance
22 issued to large employers.

23 (b) Each policy so purchased shall include a provision
24 that, in the event the Commission determines that ascertain-

1 ing the actual age distribution of the amounts of group life
2 insurance in force at the date of issue of the policy or at
3 the end of the first or any subsequent year of insurance
4 thereunder would not be possible except at a disproportion-
5 ately high expense, it may approve the determination of a
6 tentative average group life premium rate, for the first or
7 any subsequent policy year, in lieu of using the actual age
8 distribution. Such tentative average premium rate shall be
9 redetermined by the Commission during any policy year
10 upon request by the insurance company or companies issuing
11 the policy, if experience indicates that the assumptions made
12 in determining the tentative average premium rate for that
13 policy year were incorrect.

14 (c) Each policy so purchased shall contain a provision
15 stipulating the maximum expense and risk charges for the
16 first policy year, which charges shall have been determined
17 by the Commission on a basis consistent with the general
18 level of such charges made by life insurance companies under
19 policies of group life and accidental death and dismember-
20 ment insurance issued to large employers. Such maximum
21 charges shall be continued from year to year, except that
22 the Commission may redetermine such maximum charges
23 for any year either by agreement with the insurance com-
24 pany or companies issuing the policy or upon written notice

1 given by it to such companies at least one year in advance of
2 the beginning of the year for which such redetermined maxi-
3 mum charges will be effective.

4 (d) Each such policy shall provide for an accounting
5 to the Commission not later than ninety days after the end
6 of each policy year, which shall set forth, in a form approved
7 by the Commission, (1) the amounts of premiums actually
8 accrued under the policy from its date of issue to the end of
9 such policy year, (2) the total of all mortality and other
10 claim charges incurred for that period, and (3) the amounts
11 of the insurers' expense and risk charges for that period.
12 Any excess of the total of item (1) over the sum of items
13 (2) and (3) shall be held by the insurance company or
14 companies issuing the policy as a special contingency reserve
15 to be used by such insurance company or companies for
16 charges under such policy only, such reserve to bear interest
17 at a rate to be determined in advance of each policy year by
18 the insurance company or companies issuing the policy,
19 which rate shall be approved by the Commission as being
20 consistent with the rates generally used by such company or
21 companies for similar funds held under other group life in-
22 surance policies: *Provided*, That, if and when the Commis-
23 sion determines that such special contingency reserve has
24 attained an amount estimated by it to make satisfactory pro-
25 vision for adverse fluctuations in future charges under the

1 policy, any further such excess shall be deposited in the
2 Treasury of the United States to the credit of the fund. If
3 and when such policy is discontinued, and if after all charges
4 have been made, there is any positive balance remaining
5 in such special contingency reserve, such balance shall be
6 deposited in the Treasury of the United States to the credit
7 of the fund, subject to the right of the insurance company
8 or companies issuing the policy to make such deposit in
9 equal monthly installments over a period of not more than
10 two years.

11 SEC. 9. The Commission shall arrange to have each em-
12 ployee insured under such policy receive a statement setting
13 forth the benefits to which the employee is entitled there-
14 under, to whom such benefits shall be payable, to whom
15 claims should be submitted, and summarizing the provisions
16 of the policy principally affecting the employee. Such state-
17 ment shall be in lieu of the certificate which the insurance
18 company or companies would otherwise be required to issue.

19 SEC. 10. (a) The Commission is authorized to arrange
20 with any nonprofit association of Federal employees for
21 the assumption by the fund of any existing life insurance
22 agreements of such association with its members retired or
23 otherwise separated from the Federal service.

24 (b) Any such arrangement shall provide that payments
25 by such insured members for life insurance only shall there-

1 after be made at the same rates to the fund, under such con-
2 ditions as the Commission may prescribe.

3 (c) Any such arrangement shall further provide that
4 there be transferred to and deposited in the fund the lesser of
5 the following amounts:

6 (1) The total assets of the life insurance fund of
7 such association; or

8 (2) The amount required to meet the liabilities
9 under life insurance agreements assumed, taking into ac-
10 count the payments as provided in paragraph (b). The
11 determination of this amount shall be based on an ac-
12 tual valuation satisfactory to the Commission, pro-
13 cured by the association without expense to the
14 Commission.

15 (d) The arrangements authorized by this section shall be
16 made only with those associations which terminate life insur-
17 ance agreements with all of their members within one year
18 after the date of enactment of this Act, and such arrange-
19 ments shall not apply to any member granted life insurance
20 by any such association after the date of enactment of this
21 Act.

22 SEC. 11. Except as otherwise provided herein, the Com-
23 mission is hereby authorized to promulgate such regulations
24 as may be necessary and proper to give effect to the intent,
25 purposes, and provisions of this Act.

1 SEC. 12. There is hereby established an Advisory Coun-
2 cil on Group Insurance consisting of the Secretary of the
3 Treasury as Chairman, the Secretary of Labor, and the Direc-
4 tor of the Bureau of the Budget, who shall serve without
5 additional compensation. The Council shall meet once a
6 year, or oftener at the call of the Commission, and shall re-
7 view the operations of this Act and advise the Commission
8 on matters of policy relating to its activities thereunder.

9 SEC. 13. The Commission shall report annually to Con-
10 gress upon the operation of this Act.

11 SEC. 14. The insurance provided by this Act and the
12 withholdings and contributions for that purpose shall become
13 effective when directed by the Commission.

A BILL

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

By Mr. CARLSON

MAY 24 (legislative day, MAY 13), 1954

Read twice and referred to the Committee on Post Office and Civil Service

83^D CONGRESS
2^D SESSION

H. R. 9462

IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 1954

Mr. REES of Kansas introduced the following bill; which was referred to the
Committee on Post Office and Civil Service

A BILL

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Employees'
4 Group Life Insurance Act of 1954."

5 SEC. 2. (a) Except as provided in (b) of this section,
6 each appointive or elective officer or employee (hereinafter
7 called employee) in or under the executive, judicial, or legis-

1 lative branch of the United States Government, including a
2 Government-owned or controlled corporation, and of the
3 municipal government of the District of Columbia shall, at
4 such time and under such conditions of eligibility as the Civil
5 Service Commission (hereinafter called the Commission)
6 may by regulation prescribe, come within the purview of this
7 Act: *Provided*, That regulations excluding employees on the
8 basis of the nature and type of employment or conditions per-
9 taining thereto shall be issued only after consultation with the
10 head of the department, establishment, agency, or other em-
11 ploying authority concerned.

12 (b) This Act shall not apply to noncitizen employees
13 whose permanent duty station is located outside a State of
14 the United States or the District of Columbia, nor shall it
15 apply to the commissioned officers and enlisted personnel on
16 active duty in or with the Army, Navy, Air Force, Marine
17 Corps, or Coast Guard of the United States, who have in-
18 demnity coverage under the Servicemen's Indemnity Act of
19 1951 (65 Stat. 33).

20 SEC. 3. (a) Each employee to whom this Act applies
21 shall be eligible to be insured for an amount of group life
22 insurance approximating his annual compensation not ex-

ceeding \$20,000 plus an equal amount of group accidental death insurance, in accordance with the following schedule:

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death insurance shall be—
Greater than	But not greater than		
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\$1, 000	2, 000	2, 000	2, 000
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5, 000	6, 000	6, 000	6, 000
6, 000	7, 000	7, 000	7, 000
7, 000	8, 000	8, 000	8, 000
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(b) Each such employee shall also be eligible to be insured for an amount of dismemberment insurance in accordance with schedules to be prescribed by the Commission.

(c) The Commission shall by regulation provide for the conversion of other than annual rates of compensation to an annual basis, and shall further specify the types of compensation to be included in annual compensation.

(d) Each of such amounts of insurance shall, without reduction in cost to the employee, be reduced by 2 per

1 centum thereof at the end of each full calendar month fol-
2 lowing the later of (1) the date the employee attains age
3 sixty-five or (2) one year after the date he shall first become
4 insured under this Act, subject to minimum amounts pre-
5 scribed by the Commission, but not less than 25 per centum
6 of the insurance in force on such later date.

7 SEC. 4. Any amount of group life insurance and group
8 accidental death insurance in force on any employee at the
9 date of his death shall be paid, upon the establishment of a
10 valid claim therefor, to the person or persons surviving at
11 the date of his death, in the following order of precedence:

12 First, to the beneficiary or beneficiaries as the employee
13 may have designated by a writing received in the employing
14 office prior to death;

15 Second, if there be no such beneficiary, to the widow or
16 widower of such employee;

17 Third, if none of the above, to the child or children of
18 such employee and descendants of deceased children by rep-
19 resentation;

20 Fourth, if none of the above, to the parents of such em-
21 ployee or the survivor of them;

22 Fifth, if none of the above, to the duly appointed execu-
23 tor or administrator of the estate of such employee;

24 Sixth, if none of the above, to other next of kin of such

1 employee entitled under the laws of domicile of such em-
2 ployee at the time of his death.

3 If any person otherwise entitled to payment under this
4 section does not make claim therefor within one year after
5 the death of the employee, or if payment to such person
6 within that period is prohibited by Federal statute or regula-
7 tion, payment may be made in the order of precedence as if
8 such person had predeceased the employee, and any such
9 payment shall be a bar to recovery by any other person.

10 SEC. 5. (a) During any period in which an employee is
11 insured under a policy of insurance purchased by the Com-
12 mission as authorized in section 7 of this Act, there shall be
13 withheld from each salary payment of such employee, as his
14 share of the cost of his group life and accidental death and
15 dismemberment insurance, an amount determined by the
16 Commission, but not to exceed the rate of 25 cents biweekly
17 for each \$1,000 of his group life insurance: *Provided*, That
18 an employee who is paid on other than a biweekly basis
19 shall have an amount so withheld, determined at a propor-
20 tionate rate, which rate shall be adjusted to the nearest cent.

21 Any policy of insurance purchased by the Commission as
22 authorized in section 7 of this Act shall provide that all em-
23 ployees eligible under the terms of this Act will be auto-
24 matically insured thereunder commencing on the date they

1 first become so eligible: *Provided*, That any employee desir-
2 ing not to be so insured shall, on an appropriate form to be
3 prescribed by the Commission, give written notice to his em-
4 ploying office that he desires not to be insured. If such notice
5 is received before the employee shall have become insured
6 under such policy, he shall not be so insured; if it is received
7 after he shall have become insured, his insurance under the
8 policy will cease effective with the end of the pay period
9 during which the notice is received by the employing office.

10 (b) For each period in which an employee is insured
11 under a policy of insurance purchased by the Commission as
12 authorized in section 7 of this Act, there shall be contributed
13 from the respective appropriation or fund which is used for
14 payment of his salary, wage, or other compensation (or, in
15 the case of an elected official, from such appropriation or
16 fund as may be available for payment of other salaries of the
17 same office or establishment) a sum computed at a rate de-
18 termined by the Commission, but not to exceed one-half the
19 amount withheld from the employee under this section.

20 (c) The sums withheld from employees under sub-
21 section (a) and the sums contributed from appropriations
22 and funds under subsection (b) shall be deposited in the
23 Treasury of the United States to the credit of a fund which
24 is hereby created. Said fund is hereby made available with-
25 out fiscal year limitation for premium payments under any

1 insurance policy or policies purchased as authorized in sec-
2 tion 7 of this Act, and for any expenses incurred by the Com-
3 mission in the administration of this Act within such
4 limitations as may be specified annually in appropriation
5 acts: *Provided*, That appropriations available to the Com-
6 mission for salaries and expenses for the fiscal year 1955
7 shall be available on a reimbursable basis for necessary ad-
8 ministrative expenses of carrying out the purposes of this
9 Act until said fund shall be sufficient to provide therefor.
10 The income derived from any dividends or premium rate
11 adjustments received from insurers shall constitute a part of
12 said fund.

13 SEC. 6. Each policy purchased under this Act shall con-
14 tain a provision, in terms approved by the Commission, to
15 the effect that any insurance thereunder on any employee
16 shall cease upon his separation from the service or twelve
17 months after discontinuance of his salary payments, which-
18 ever first occurs, subject to a provision which shall be con-
19 tained in the policy for temporary extension of coverage and
20 for conversion to an individual policy of life insurance under
21 conditions approved by the Commission, except that if upon
22 such date as the insurance would otherwise cease the em-
23 ployee (a) has had fifteen years of creditable civilian service,
24 as determined by the Commission, and (b) retires on an
25 immediate annuity, his life insurance only may, under con-

1 ditions determined by the Commission, be continued without
2 cost to him in the amount in force on his life on the date of
3 cessation of his salary payments until he attains age sixty-five,
4 after which time such amount shall be reduced by 2 per
5 centum thereof at the end of each full calendar month, sub-
6 ject to minimum amounts prescribed by the Commission,
7 but not less than 25 per centum of the insurance in force on
8 such later date.

9 SEC. 7. (a) The Commission is authorized, without
10 regard to section 3709 of the Revised Statutes as amended,
11 to purchase from one or more life insurance companies, as
12 determined by it, and such company or companies are
13 authorized to issue without regard to restrictions in any other
14 law, a policy or policies of group life and accidental death
15 and dismemberment insurance to provide the benefits speci-
16 fied in this Act: *Provided*, That any such company must
17 meet the following requirements: (1) Be licensed under the
18 laws of forty-eight of the States of the United States and
19 the District of Columbia to transact life and accidental death
20 and dismemberment insurance, and (2) the amount of its
21 employee group life insurance on the most recent December
22 31 for which information is available to the Commission
23 shall on that date equal at least 1 per centum of the total
24 amount of employee group life insurance in the United States
25 in all life insurance companies.

1 (b) The life insurance company or companies issuing
2 such policy or policies shall establish an administrative office
3 under a name to be approved by the Commission.

4 (c) The Commission shall arrange with the life insur-
5 ance company or companies issuing any policy or policies
6 purchased under this Act to reinsure, under conditions
7 approved by it, portions of the total amount of insurance
8 under the policy or policies, determined as provided in sub-
9 section (d) of this section, with such other life insurance
10 companies as may elect to participate in such reinsurance and
11 which meet the following requirements: (1) Any such com-
12 pany shall be licensed under the laws of a State of the United
13 States or the District of Columbia to transact life and acci-
14 dental death and dismemberment insurance, and (2) on the
15 December 31 next preceding its election to participate in
16 such reinsurance, it shall have had employee group life
17 insurance in force on employees of at least twenty-five
18 different employers.

19 (d) The Commission shall determine a formula so that
20 the amount of insurance in force to be retained by each
21 issuing company after ceding reinsurance and the total
22 amount of reinsurance ceded to each reinsuring company
23 shall be in proportion to the total amount of each such com-
24 pany's group life insurance in force in the United States on

1 December 31, 1953: *Provided*, That, in determining such
2 proportions, that portion of any company's group life in-
3 surance in force on December 31, 1953, which is in excess
4 of \$100,000,000 shall be reduced by 25 per centum of the
5 first \$100,000,000 of such excess, 50 per centum of the
6 second \$100,000,000 of such excess, 75 per centum of the
7 third \$100,000,000 of such excess, and 95 per centum of
8 any excess thereafter: *Provided further*, That the amount
9 retained by or ceded to any company shall not exceed 25
10 per centum of the amount of that company's total life
11 insurance in force in the United States on December 31,
12 1953: *Provided further*, That if, at the end of one year
13 following the date of enactment of this Act, in the case of
14 any issuing company or reinsurer which insured employees
15 of the Federal Government on December 31, 1953, under
16 policies issued to an association of Federal employees, the
17 amount which results from the application of this formula
18 is less than the decrease, if any, in the amount of such
19 company's insurance under such policies, the amount al-
20 located to such company shall, upon the first reallocation as
21 provided in subsection (e) of this section, be increased to
22 the amount of such decrease: *And provided further*, That
23 in determining eligibility under subsection (c) of this sec-
24 tion, the group life insurance under policies issued to associa-

1 tions of Federal employees shall be considered employee
2 group life insurance.

3 (e) The companies eligible to participate as reinsurers,
4 and the amount of insurance under the policy or policies to be
5 allocated to each issuing company or reinsurer may be rede-
6 termined by the Commission for and in advance of any policy
7 year after the first, on a basis consistent with subsections (c)
8 and (d) of this section, with any modifications thereof it
9 deems appropriate to carry out the intent of such subsections,
10 and based on each participating company's group life insur-
11 ance in force, excluding that under any policy or policies
12 purchased under this Act except in the case of companies
13 covered in the third proviso of subsection (d), in the United
14 States on the most recent December 31 for which informa-
15 tion is available to it, and shall be so redetermined in a simi-
16 lar manner not less often than every three years or at any
17 time that any participating company withdraws from par-
18 ticipation.

19 (f) Any issuing company or reinsurer may elect to with-
20 draw from such participation at the end of any policy year,
21 upon six months' notice to the Commission. The Commis-
22 sion may at any time discontinue any policy or policies it has
23 purchased from any insurance company.

24 SEC. 8. (a) Each policy or policies purchased under this

1 Act shall include, for the first policy year, basic tables of
2 premium rates as follows:

3 (1) For group life insurance, a schedule of basic pre-
4 mium rates by age which the Commission shall have deter-
5 mined on a basis consistent with the lowest schedule of basic
6 premium rates generally charged for new group life insurance
7 policies issued to large employers, this schedule of basic pre-
8 mium rates by age to be applied, except as otherwise pro-
9 vided in this section, to the distribution by age of the amounts
10 of group life insurance under the policy at its date of issue
11 to determine an average basic premium rate per \$1,000
12 of life insurance, and

13 (2) For group accidental death and dismemberment in-
14 surance, a basic premium rate which the Commission shall
15 have determined on a basis consistent with the lowest rate
16 generally charged for new group accidental death and dis-
17 memberment insurance policies issued to large employers.

18 Each policy so purchased shall also include provisions
19 whereby the basic rates of premium determined for the first
20 policy year shall be continued for subsequent policy years,
21 except that they may be readjusted for any subsequent year,
22 based on the experience under the policy, such readjustment
23 to be made by the insurance company or companies issuing
24 the policy on a basis determined by the Commission in ad-
25 vance of such year to be consistent with the general practice

1 of life insurance companies under policies of group life and
2 group accidental death and dismemberment insurance issued
3 to large employers.

4 (b) Each policy so purchased shall include a provision
5 that, in the event the Commission determines that ascertain-
6 ing the actual age distribution of the amounts of group life
7 insurance in force at the date of issue of the policy or at the
8 end of the first or any subsequent year of insurance there-
9 under would not be possible except at a disproportionately
10 high expense, it may approve the determination of a tenta-
11 tive average group life premium rate, for the first or any
12 subsequent policy year, in lieu of using the actual age dis-
13 tribution. Such tentative average premium rate shall be
14 redetermined by the Commission during any policy year
15 upon request by the insurance company or companies issuing
16 the policy, if experience indicates that the assumptions made
17 in determining the tentative average premium rate for that
18 policy year were incorrect.

19 (c) Each policy so purchased shall contain a provision
20 stipulating the maximum expense and risk charges for the
21 first policy year, which charges shall have been determined
22 by the Commission on a basis consistent with the general
23 level of such charges made by life insurance companies under
24 policies of group life and accidental death and dismember-
25 ment insurance issued to large employers. Such maximum

1 charges shall be continued from year to year, except that the
2 Commission may redetermine such maximum charges for any
3 year either by agreement with the insurance company or
4 companies issuing the policy or upon written notice given by
5 it to such companies at least one year in advance of the
6 beginning of the year for which such redetermined maximum
7 charges will be effective.

8 (d) Each such policy shall provide for an accounting
9 to the Commission not later than ninety days after the end of
10 each policy year, which shall set forth, in a form approved
11 by the Commission, (1) the amounts of premiums actually
12 accrued under the policy from its date of issue to the end of
13 such policy year, (2) the total of all mortality and other
14 claim charges incurred for that period, and (3) the amounts
15 of the insurers' expense and risk charges for that period. Any
16 excess of the total of item (1) over the sum of items (2)
17 and (3) shall be held by the insurance company or com-
18 panies issuing the policy as a special contingency reserve
19 to be used by such insurance company or companies for
20 charges under such policy only, such reserve to bear interest
21 at a rate to be determined in advance of each policy year by
22 the insurance company or companies issuing the policy, which
23 rate shall be approved by the Commission as being consistent
24 with the rates generally used by such company or companies

1 for similar funds held under other group life insurance poli-
2 cies: *Provided*, That, if and when the Commission deter-
3 mines that such special contingency reserve has attained an
4 amount estimated by it to make satisfactory provision for
5 adverse fluctuations in future charges under the policy, any
6 further such excess shall be deposited in the Treasury of the
7 United States to the credit of the fund. If and when such
8 policy is discontinued, and if after all charges have been
9 made, there is any positive balance remaining in such special
10 contingency reserve, such balance shall be deposited in the
11 Treasury of the United States to the credit of the fund, sub-
12 ject to the right of the insurance company or companies is-
13 suing the policy to make such deposit in equal monthly in-
14 stallments over a period of not more than two years.

15 SEC. 9. The Commission shall arrange to have each
16 employee insured under such policy received a statement
17 setting forth the benefits to which the employee is entitled
18 thereunder, to whom such benefits shall be payable, to whom
19 claims should be submitted, and summarizing the provisions
20 of the policy principally affecting the employee. Such state-
21 ment shall be in lieu of the certificate which the insurance
22 company or companies would otherwise be required to issue.

23 SEC. 10. (a) The Commission is authorized to arrange
24 with any nonprofit association of Federal employees for the

1 assumption by the fund of any existing life insurance agree-
2 ments of such association with its members retired or other-
3 wise separated from the Federal service.

4 (b) Any such arrangement shall provide that payments
5 by such insured members for life insurance only shall there-
6 after be made at the same rates to the fund, under such
7 conditions as the Commission may prescribe.

8 (c) Any such arrangement shall further provide that
9 there be transferred to and deposited in the fund the lesser
10 of the following amounts:

11 (1) The total assets of the life insurance fund of
12 such association; or

13 (2) The amount required to meet the liabilities
14 under life insurance agreements assumed, taking into
15 account the payments as provided in paragraph (b).
16 The determination of this amount shall be based on an
17 actuarial valuation satisfactory to the Commission, pro-
18 cured by the association without expense to the
19 Commission.

20 (d) The arrangements authorized by this section shall
21 be made only with those associations which terminate life
22 insurance agreements with all of their members within one
23 year after the date of enactment of this Act, and such
24 arrangements shall not apply to any member granted life

1 insurance by any such association after the date of enactment
2 of this Act.

3 SEC. 11. Except as otherwise provided herein, the Com-
4 mission is hereby authorized to promulgate such regulations
5 as may be necessary and proper to give effect to the intent,
6 purposes, and provisions of this Act.

7 SEC. 12. There is hereby established an Advisory Coun-
8 cil on Group Insurance consisting of the Secretary of the
9 Treasury as Chairman, the Secretary of Labor, and the
10 Director of the Bureau of the Budget, who shall serve with-
11 out additional compensation. The Council shall meet once
12 a year, or oftener at the call of the Commission, and shall
13 review the operations of this Act and advise the Commission
14 on matters of policy relating to its activities thereunder.

15 SEC. 13. The Commission shall report annually to Con-
16 gress upon the operation of this Act.

17 SEC. 14. The insurance provided by this Act and the
18 withholdings and contributions for that purpose shall become
19 effective when directed by the Commission.

A BILL

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

By Mr. REES of Kansas

JUNE 7, 1954

Referred to the Committee on Post Office and Civil
Service

of soil and water conservation districts. The annual deduction is limited to 25% of farm income, but amounts in excess of this limit may be carried forward to be deducted in subsequent years. (p. 8539.)

16. TRANSPORTATION. The Interstate and Foreign Commerce Committee voted to report (but did not actually report) S. 906, to establish the finality of contracts between the Government and common carriers of passengers and freight subject to the Interstate Commerce Act (p. D747).
17. FORESTRY. Sen. Anderson inserted his statement favoring S. 1261, to earmark 10% of national forest receipts for recreation purposes (pp. 8531-2).
18. FARM LABOR. Sen. Flanders inserted a resolution by two Grange locals favoring exemption of young farmers from military training (p. 8523).
19. PERSONNEL. The Post Office and Civil Service Committee reported without amendment S. 3681, to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees of the Federal service (S. Rept. 1654)(p. 8524).
20. LEGISLATIVE PROGRAM. Sen. Knowland said debate on the tax bill will probably be completed tomorrow or Thurs., the Senate will recess from Fri. until Tues., and the calendar will be called Tues. (p. 8604).
21. SMALL BUSINESS. Sen. Thye (and others) discussed S. Res. 213, to make the Senate Select Committee on Small Business a regular standing committee of the Senate, which is pending before the Rules and Administration Committee (pp. 8532-5).

BILLS INTRODUCED

22. VETERANS' BENEFITS. S. 3672, by Sen. Hill, to amend the laws granting education and training benefits to certain veterans to extend the period during which such benefits may be offered; to Labor and Public Welfare Committee (p. 8524).
23. CORPORATIONS. S. 3675, by Sen. Langer, to establish and effectuate a policy with respect to the creation or chartering of certain corporations by act of Congress; to Judiciary Committee (p. 8524).
24. ROADS. H.R. 9695, by Rep. Oakman, to provide that certain Federal appropriations for the construction, reconstruction, and improvement of highways be withheld from any State levying ton-mile, weight-distance, axle-mile, or other third structure highway use taxes on interstate commerce, in an amount equal to the amount which such State receives from such third structure use taxes; to Public Works Committee (p. 8666).
25. FOREIGN TRADE. H.R. 9703, by Rep. Eberharter, to provide assistance to communities, industries, business enterprises, and individuals to facilitate adjustments made necessary by the trade policy of the U. S.; to Ways and Means Committee (p. 8666).
26. FARM CREDIT. H.R. 9713, by Rep. Fernandez, to authorize the Farm Credit Administration to make loans of the type formerly made by the Land Bank Commissioner; to Agriculture Committee (p. 8666).

27. PERSONNEL. H.R. 9709, by Rep. Reed, N.Y., to extend and improve the unemployment compensation program; to Ways and Means Committee (p. 8666).
H.R. 9714, by Rep. Hagen, Minn., to amend the Civil Service Retirement Act of May 29, 1930, as amended, to provide a uniform rate for the computation of all annuities; to Post Office and Civil Service Committee (p. 8666).
H.R. 9715, by Rep. Hagen, Minn., "to amend the Civil Service Retirement Act of May 29, 1930, as amended;" to Post Office and Civil Service Committee (p. 8666).

ITEMS IN APPENDIX

28. PRICE SUPPORTS. Rep. Goodwin inserted a Boston Post editorial favoring the administration's farm program and stating that "the farm bill now before Congress is something immediate and to the point." (pp. A4666-7).
Rep. Javits inserted a New York Times article favoring flexible price supports and supporting the administration's farm program bill (p. A4682).
Rep. King inserted a Philadelphia Inquirer article commending "the sound, constructive effort of the Eisenhower administration to free the Nation from the costly and wasteful burden of high rigid farm price supports..." (pp. A4695-6).
Extension of remarks of Rep. Short stating that dairy products should be supported under the same system as basic commodities and "that no one branch of agriculture should be favored over another" (p. A4699).
29. WHEAT QUOTAS. Extension of remarks of Rep. Gavin criticizing reduction in wheat acreage quotas and inserted a Department letter on this subject (pp. A4667-8).
30. DAIRY INDUSTRY. Rep. Laird inserted a Marshfield (Wis.) News-Herald editorial criticizing reduction in price supports for dairy products and stating that "...continuance of 90% rigid supports... fails to give any consideration to the dairy farmer" (pp. A4694-5).
31. PRICE SUPPORTS. Rep. Metcalf inserted a Mont. businessmen's resolution opposing "any attempt" toward flexible support prices, and any "effort on the part of... the Department of Agriculture... for attempting to disrupt the stabilization program, effecting all farm commodities" (pp. A4692-3).
32. ELECTRIFICATION. Sen. Magnuson inserted a Progressive magazine article entitled "The Tomahawking of Bonneville" criticizing the administration's policies regarding this project (pp. A4681-2).
33. SOIL CONSERVATION. Sen. Johnson inserted a Texas bankers' range field tour report describing the ranchman's view of soil conservation programs (pp. A4682-3).
34. BUDGET. Rep. Rees inserted Sen. Byrd's recent speech in which he commended the administration "on tightening and improving its budget presentation" (pp. A4687-9).
Rep. Gamble inserted an editorial entitled, "Mr. Hoover on Deficits" (pp. A4685-6).
35. PUBLIC DEBT. Rep. Gamble inserted a Daily Times (Mamaroneck, N.Y.) editorial discussing "the two divergent viewpoints" on raising the amount of the public debt (p. A4692).

GROUP LIFE INSURANCE FOR FEDERAL EMPLOYEES

JUNE 28 (legislative day, JUNE 22), 1954.—Ordered to be printed

Mr. CARLSON, from the Committee on Post Office and Civil Service,
submitted the following

REPORT

[To accompany S. 3681]

The Committee on Post Office and Civil Service, which has had under consideration the matter of group life insurance for Federal employees, reports favorably a bill to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes, and recommends that the bill do pass.

STATEMENT

The group insurance program authorized by the bill would cover nearly all civilian employees of the executive, legislative, and judicial branches of the United States Government, and employees of the District of Columbia Government. The Commission could, by regulation, and after consultation with agency heads, exclude persons whose coverage would be administratively impracticable. Noncitizen employees with permanent duty station outside a State or the District of Columbia, and employees of certain corporations under the supervision of the Farm Credit Administration, would be excluded from coverage. Each eligible employee would be automatically covered unless he elects to the contrary.

Each covered employee would be insured for a sum equal to his annual compensation raised to the next higher multiple of \$1,000, with a maximum of \$20,000 in any case. Double indemnity and dismemberment insurance also attaches. The amount of insurance would be reduced by 2 percent a month after the individual attains age 65, subject to a maximum reduction of 75 percent.

As his share of premium cost for all three types of insurance, there will be withheld from the employee's salary an amount not exceeding 25 cents biweekly for each \$1,000 of life insurance. The Government

will contribute an amount not exceeding one-half the sum withheld from the employee. Payment of premiums would end at age 65, or earlier if the employee retires for disability or retires for other reason after at least 15 years' civilian service. Otherwise, separation from service would terminate the insurance, subject to a right of the employee to convert the insurance to an individual policy of life insurance under conditions approved by the Commission.

PURPOSE

This bill was proposed to Congress by the administration for the purpose of providing low-cost group life insurance to Federal employees in sums approximating their annual salaries. The committee feels that this is one of the important new proposals which provide necessary elements of a well-rounded personnel program for the Federal service, and that it carries out the plan outlined by the President in his message to the Congress of May 19, 1954.

Recognizing the special problems which exist because of the nature of the Federal service, the bill would adapt to the use of Government an administrative practice which has proved its value in progressive private business. Business has found that group insurance evidences the desire of management to help the employee meet his family obligations which will in turn assist the employee in increasing his morale and work productivity. Government will derive the same advantages from the plan that are so widely acknowledged in the business world.

Hearings were held on S. 3507, a bill similar to the bill reported by the committee. The Civil Service Commission and the Treasury Department were heard along with representatives of employee organizations. These witnesses testified in favor of the principles of the bill reported.

The committee has adopted a number of changes suggested by employee groups for improvement of the bill, but felt justified in rejecting certain others—for example, the suggestion that each employee be allowed to select the amount of his insurance coverage rather than accept the fixed sum based upon his salary. Such selection is contrary to State laws governing group insurance plans. Also, under the insurance theory of adverse selection, healthy persons would select lower amounts of insurance, while employees in poor health would select larger sums, thus creating a need for higher premiums than planned.

The suggestion that employees affirmatively elect coverage, rather than be covered automatically in the absence of election to the contrary, was viewed as undesirable. The end result is precisely the same, but such proposal would require the preparation and filing of millions of election forms not otherwise required. The automatic-coverage feature guarantees protection to the employee's family without the risk of his failure to obtain such protection through inadvertence or negligence. The privilege of electing noncoverage or of dropping out at any time after coverage attaches amply protects the rights of the employee who does not want the insurance.

The committee also rejected the suggestion that the Government pay the entire cost of the program. While it is true that some companies have adopted such procedure, more than 75 percent of the group life plans in private industry are contributory, with the employees paying a substantial portion of the premium. The split in

cost between the Government and the employee is believed reasonable and fair from the viewpoint of each.

The committee has inserted in the bill a new section 14 to clarify the rights of claimants who may wish to make the United States a party to a court action involving a claim under the program. This section would extend the jurisdiction of United States district courts above the \$10,000 limitation now in effect.

It is estimated that the total cost of this program will approximate \$70 million a year, and that the Government's one-third share will be about \$22,750,000. This will be the entire Government expenditure, with no additional appropriation for administrative expenses being necessary. The committee is assured and believes that total administrative cost will not exceed 2 percent of the total premium collected from the Government and from the employees.

SECTION ANALYSIS

Under section 2 of the bill, the group insurance program authorized thereunder would cover nearly all civilian employees of the executive, legislative, and judicial branches of the United States Government. The Commission could, by regulation and after consultation with agency heads, exclude persons whose coverage would be administratively impractical, such as short-term, seasonal, or intermittent employees; no exclusion could be effected solely on the hazardous nature of employment. Noncitizen employees with permanent duty station outside a State or the District of Columbia, and employees of certain corporations under the supervision of the Farm Credit Administration, would be excluded from coverage.

As outlined in section 3, each covered employee would be insured for a sum equal to his annual compensation raised to the next higher multiple of \$1,000, with a maximum of \$20,000 in any case. If death occurs by accidental means, the amount of insurance would be doubled. Dismemberment insurance is also provided. The amount of insurance would be reduced (without reduction in premium) by 2 percent a month after the individual attains age 65, subject to a maximum reduction of 75 percent.

Section 4 sets up an order of precedence for paying the insurance upon death. This is the same order as contained in the Civil Service Retirement Act for lump-sum death payments and as established by the act of August 3, 1950, for payment of accrued leave, etc., upon death, as follows:

1. Designated beneficiary
2. Widow or widower.
3. Children.
4. Parents.
5. Estate.
6. Next of kin.

Under section 5, an employee may elect not to be insured, but in the absence of such election the insurance is automatic. As his share of premium cost for all three types of insurance, there will be withheld from each covered employee's salary an amount not exceeding 25 cents biweekly for each \$1,000 of life insurance. The Government will contribute an amount not exceeding one-half the sum withheld from the employee. These employee and Government contributions

will be deposited in a special fund in the United States Treasury, which fund will be available for premium payments to insurance companies and for administrative expenses.

Section 6 would terminate the insurance generally upon an employee's separation from service; the separated employee would then be privileged to purchase an individual policy at the standard premium rate. However, if the employee is separated for retirement on immediate annuity with at least 15 years' civilian service or for disability retirement, the life insurance only would continue without further cost to him, subject to reduction after age 65 provided in section 3.

The Commission is authorized by section 7 to purchase, from one or more companies meeting specified qualifications, a policy or policies to provide the proposed insurance benefits. The company or companies selected would be required to reinsure portions of the total insurance with other companies which elect to participate. The formula for apportioning reinsurance would be related to each company's group life insurance already in force but with a weighting to benefit the smaller companies.

Section 8 deals with the premium rates to be charged by the companies, which would be determined by the Commission on a basis consistent with the lowest rates charged large employers for such insurance. Subsequent readjustments would be made if found necessary by experience. Annual reports, accounting for all income and expenses under the policies, would be made by the companies. Any excess of premium income over mortality and other claim charges and expense and risk charges will be held as an interest-bearing contingency reserve, for use in meeting future charges or for eventual return to the Treasury fund.

As provided in section 9, each insured employee would receive a certificate setting forth benefits to which he and his beneficiary may be entitled and other related information.

Under section 10, the Commission will act to protect the rights of separated or retired employees now insured through nonprofit associations of Federal employees. Such insured persons would be protected at their present premium rates for life insurance granted prior to January 1, 1954, provided the association terminates all its life insurance agreements and turns over assets sufficient, if possible, to cover the liabilities involved. Should any such insured separated or retired employee become reemployed in a position in which he would be eligible to insurance as provided by this act, he shall be permitted to elect to have such insurance canceled, and thenceforth to be insured under this act, but he shall not have both.

The Commission would, under section 11, promulgate necessary regulations to administer the program.

Section 12 would establish an Advisory Council on Group Insurance to review operations and advise the Commission on policy matters. The Chairman of the Commission would appoint a committee of five insured employees to advise regarding matters of concern to employees under the program.

Annual reports by the Commission to Congress are required by section 13.

Section 14 would clarify the rights of claimants who may wish to make the United States a party to a court action involving a claim

under the program. This section would extend the jurisdiction of United States district courts above the \$10,000 limitation now in effect.

The Commission will, under section 15, establish an effective date for the insurance and for contributions.

This group life insurance bill is the first of two associated bills. The administration expects later to present legislation for group hospitalization.

PRESIDENT'S MESSAGE

The message of the President is as follows:

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES RELATIVE TO PROPOSING A PLAN OF CONTRIBUTORY GROUP LIFE INSURANCE FOR FEDERAL CIVILIAN EMPLOYEES

To the Congress of the United States:

I propose for the consideration of the Congress a plan of contributory group life insurance for Federal civilian employees.

Three months ago I expressed my conviction that a well-rounded personnel program was needed to benefit the Federal career system and its workers and to increase the administrative efficiency of the Government. A program was envisaged that would combine the best practices of progressive, private employers with the special requirements of public service.

With this type of personnel program as our objective, thorough studies were made to determine how best to provide its necessary elements, and most of these have been recommended to the Congress. An additional essential element is contributory group life insurance. Such a plan I now recommend to the Congress.

Excepting those excluded by their own request or for administrative reasons, this plan would provide all civilian employees of the legislative, executive, and judicial branches with group life insurance approximately equal in amount to 1 year's salary during active service prior to age 65, and with reduced benefits thereafter. The amount would be doubled if the employee should die by accidental means. Employees retiring on an immediate annuity, after 15 years of service, would have insurance protection without further cost to them. Others terminating their employment would be able, without medical examination, to convert their insurance to individual policies at rates applicable to their attained age.

By means of this plan Government workers could supplement their own insurance programs at minimum expense. The cost of the plan would be shared by the Government and participating employees, each agency paying from existing appropriations about half of its employee's costs. Thus employees could take advantage of the low contribution rate of 25 cents biweekly for each \$1,000 life insurance.

In order to have advantages under this plan that are normally available to private employers, it is proposed that the insurance be cooperatively underwritten through the facilities of a large group of life-insurance companies having experience in employee group-insurance benefits. These companies would establish a single administrative office to assure the utmost economy in the operation of the plan.

The functions normally performed by the employer in a group-insurance plan would, under this plan, be performed in the Government by the Civil Service Commission. A Council on Group Insurance, consisting of the Secretaries of the Treasury and Labor and Director of the Bureau of the Budget, would be established to review the program and advise the Commission on policy matters.

In summary, two predominant features make this plan especially advantageous to the Government and its personnel. First, employees are better enabled by this low-cost life-insurance protection to carry out their responsibilities to their families. Second, the plan is another essential element in the development of a comprehensive personnel program that applies to Government service the best practices of progressive, private employers.

A draft bill to effectuate this plan has been prepared by the Civil Service Commission and is being submitted to the Congress. I earnestly recommend that the Congress give this plan early favorable consideration.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, May 19, 1954.

AGENCY REPORTS

The following reports on S. 3507, a bill similar to the bill reported by this committee, were submitted at the request of the committee and are set forth below:

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., June 4, 1954.

HON. FRANK CARLSON,
*Chairman, Committee on Post Office and Civil Service,
United States Senate, Washington 25, D. C.*

MY DEAR MR. CHAIRMAN: Reference is made to your request of May 25, 1954, for the views of this Office with respect to S. 3507, a bill to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

This bill would provide each eligible civilian employee of the legislative, executive, and judicial branches who desires such protection with an amount of group life insurance approximating his annual salary but not in any case to exceed \$20,000. In the event of accidental death this protection would be doubled, and in the event of dismemberment, payments would be made in accordance with schedules to be set up by the Civil Service Commission. Employees leaving the Government would be able to convert their life insurance to individual policies at standard rates and without medical examination. Employees retiring on immediate annuity such as disability after 15 years' service would continue their full life insurance to age 65 without further cost to them. After age 65 the insurance amount for each employee and annuitant would be reduced to an ultimate amount equal to 25 percent of the full insurance.

The cost of the insurance would be shared by the Government and the participating employees on a payroll deduction basis. The premium per thousand would be not to exceed a biweekly rate of 25 cents from the employee, and not to exceed one-half the employee rate from the Government.

The Civil Service Commission is authorized to purchase, without regard to section 3709 of the Revised Statutes, group life, accidental death, and dismemberment insurance from one or more life insurance companies licensed in all 48 States and in the District of Columbia provided the employee group life insurance in force in each company is equal to at least one percent of the total employee group life insurance in force in the United States in all life insurance companies. The Commission is also authorized to arrange for reinsurance in accordance with a specified formula. Experience under the policy is to be reviewed annually and premiums adjusted as necessary.

The Commission is also authorized to arrange for assumption of existing life insurance agreements with retired or separated members of any nonprofit Federal employees' association which terminates life insurance agreements with all its members within 1 year, and transfers appropriate assets to the Government.

It is believed that the provision of employee group life insurance on a voluntary basis for Federal employees is a desirable move in applying the best practices of progressive private employers to the Government service.

The Bureau of the Budget recommends favorable consideration of S. 3507 by your committee to carry out the President's recommendation of May 19, 1954, that employee group life insurance be made available to Federal employees.

Sincerely yours,

DONALD R. BELCHER, *Assistant Director.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington 25, D. C., June 21, 1954.

HON. FRANK CARLSON,
*Chairman, Committee on Post Office and Civil Service,
United States Senate.*

DEAR MR. CHAIRMAN: Reference is made to your letter of May 25, 1954, acknowledged by telephone May 26, requesting the views and comments of the General Accounting Office pertaining to S. 3507, 83d Congress, 2d session, entitled "A bill to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes."

Various suggestions were made by the General Accounting Office to the Bureau of the Budget on a draft of this bill and representatives of the General Accounting Office thereafter participated with representatives of that Bureau and other agencies in revising the draft bill. Most all of the suggestions of this Office were adopted in the preparation of the final draft, with which S. 3507 appears to be identical. It is believed that S. 3507 will carry out the intent of the present administration to provide group life insurance for civilian officers and employees in the Federal service.

Whether the Federal Government should make available group life insurance for its civilian officers and employees is a matter of policy primarily for determination by the Congress and one on which I do not feel required to express a view.

Five copies of this report are furnished, as requested.

Sincerely,

FRANK H. WEITZEL,
Acting Comptroller General of the United States.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington 25, June 10, 1954.

HON. FRANK CARLSON,
*Chairman, Committee on Post Office and Civil Service,
United States Senate.*

DEAR MR. CHAIRMAN: This letter is in response to your request of May 26, 1954, for a report on S. 3507, a bill to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

This bill is designed to carry out recommendations made in the President's message of May 19, 1954, to the Congress proposing a program of contributory group life insurance for Federal civilian employees (H. Doc. No. 398, 83d Cong.). (The bill would include, in addition to regular group life insurance, group accidental-death insurance and dismemberment insurance.)

The principle of making group life and group accidental-death and dismemberment insurance available to employees, which enables employees to obtain this type of protection at relatively low cost and, in some cases, when they would not be able to obtain individual insurance at all, is one which has been widely adopted by private industry. We believe that adoption of this principle by the Federal Government would add a substantial element in the establishment of a well-rounded personnel program for the Federal career system, would enhance employee morale, would tend to reduce excessive employee turnover, and would have the virtue of giving employees some survivorship protection during the qualifying period under the Civil Service retirement system.

Inasmuch as the bill would be administered by the Civil Service Commission, we have not undertaken to submit in this report a technical analysis of the bill. We assume that such an analysis is being submitted by the Civil Service Commission in its report on the bill and in its testimony.

However, there are two points to which we should like to invite your committee's attention.

Section 2 (b) of the bill provides that it shall not "apply to commissioned officers and enlisted personnel on active duty in or with the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States, who have indemnity coverage under the Servicemen's Indemnity Act of 1951 (65 Stat. 33)." However, the Servicemen's Indemnity Act also provides for coverage under that act for "commissioned officers of the Public Health Service while entitled to full

military benefits as provided in section 212 (a)" of the Public Health Service Act (42 U. S. C. 213) and in certain cases also for commissioned officers of the Coast and Geodetic Survey. While commissioned officers of the Public Health Service, when on detail to one of the armed services mentioned in the present bill, might be considered as on active duty "with" one of such services, they can also become entitled to full military benefits under section 212 of the Public Health Service Act, and hence to coverage under the Servicemen's Indemnity Act of 1951, with respect to service at certain other times. Since the bill does not exclude them, such officers, when entitled to full military benefits, would thus be authorized protection under both insurance programs. We assume that this was not contemplated.

Moreover, the Servicemen's Indemnity Act provides, among other things, that it shall apply to a person called to active duty in one of the Armed Forces for a period exceeding 30 days and shall continue to apply to such a person for a period of 120 days after his separation or release from active duty. Under this provision, a civil-service employee immediately returning to his civil-service position after a tour of active duty with one of the Armed Forces would have insurance coverage under both the proposed bill and the Servicemen's Indemnity Act for a period of 120 days. We assume that this double protection is not contemplated.

If your committee should decide to amend the bill in order to preclude such overlappings of life-insurance protection, we should be pleased, in cooperation with the Civil Service Commission and other agencies concerned, to furnish technical assistance for that purpose if the committee should so desire.

We wholeheartedly endorse the objectives of the bill, and recommend favorable consideration of the bill, together with such amendments as may appear desirable in the light of the above comments.

The Bureau of the Budget advises that it perceives no objection to the submission of this report to your committee and that it recommends favorable consideration of the bill.

Sincerely yours,

NELSON A. ROCKEFELLER,
Acting Secretary.

OFFICE OF THE POSTMASTER GENERAL,
Washington 25, D. C., June 6, 1954.

HON. FRANK CARLSON,
*Chairman, Committee on Post Office and Civil Service,
United States Senate.*

DEAR MR. CHAIRMAN: Reference is made to your request for a report on S. 3507, a bill to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

The installation of a group insurance plan in the Federal service will meet a long-felt need. Private industry for many years has successfully utilized group insurance to provide increased security for regular employees and to improve the standing of industrial employment in the eyes of prospective applicants. This bill and other forward-looking legislation which provide attractive conditions of employment in the civil service are in the best interests of the Federal Government as an employer.

Generally, the proposed bill adequately covers the administrative requirements for a successful system of group insurance. It is desired, however, to make specific comments with reference to certain provisions for purposes of clarification and to invite attention to certain points for consideration. For convenience these comments are arranged in the order of the numbered sections of the bill.

Section 2 (a) provides that all officers and employees of the executive, judicial, and legislative branches of the Government shall come within the purview of this act at such time and under such conditions of eligibility as the Civil Service Commission may by regulation prescribe. Regulations excluding employees on the basis of the nature and type of employment or conditions pertaining thereto may be made only after consultation with the head of the employing authority concerned. It is assumed that this exclusion will be applied to temporary employees such as temporary substitutes who are employed for short periods of duty and whose post office employment is only incidental to their main source of income. These employees have been excluded in computing the estimated cost to this Department which would result from the enactment of this measure.

The proviso in section 2 (a), requiring consultation with the head of the employing agency before the promulgation of regulations excluding employees, is regarded by this Department as a worthwhile provision to assure that employees engaged in the same duties as other employees covered, on a regular tour of duty, and otherwise eligible under the provisions of the act, will not be excluded solely because of the civil-service authority under which they were appointed. This proviso will also be the means for the establishment of the practice, already in wide use in private industry, of having employees acquire eligibility for group insurance only after the completion of a reasonable minimum period of satisfactory service. Each of the foregoing features is considered to be important, respectively, as a factor in maintaining good employee morale, and as a means of avoiding excessive administrative costs.

Section 5 (a) provides that there shall be withheld from each salary payment the employee's share of the cost of his insurance at a rate not to exceed 25 cents biweekly for each \$1,000 of his group life insurance. In the absence of administrative procedure for making these collections, it is difficult to estimate the cost. However, it is believed that postal expenditures will be increased at least \$100,000 annually to comply with this section.

Section 5 (b) of this measure provides that there shall be contributed from the appropriation which is used for payment of his salary a sum not to exceed one-half of the amount withheld from the employee under this section. Based on the assumption that 75 percent of eligible postal employees would participate in the group-insurance plan at the maximum amount for which they would be eligible under the schedule in section 3 (a), and that the maximum rate of 12½ cents per thousand be determined by the Commission, it is estimated that the annual increase in postal expenditures under this provision would amount to approximately \$5,700,000.

The favorable low rate to the employee and the provisions for continuing the insurance after retirement from the Federal service make the proposed plan very attractive and should result in maximum participation. The added cost to this Department would be a proper charge to postal expenditures. As suggested hereinbefore, the results of the inauguration of the insurance plan provided for in this proposal would be beneficial both to the employees and to the Federal Government.

This Department has no objection to the enactment of this bill.

The Bureau of the Budget has advised that there would be no objection to the submission of this report to the committee.

Sincerely yours,

CHARLES R. HOOK, Jr.,
Deputy Postmaster General.

DEPARTMENT OF THE TREASURY,
Washington 25, June 8, 1954.

HON. FRANK CARLSON,
*Chairman, Committee on Post Office and Civil Service,
United States Senate, Washington, D. C.*

DEAR MR. CHAIRMAN: Reference is made to your letter of May 25 requesting our views on S. 3507, a bill to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

The Treasury Department favors enactment of the proposed legislation to carry out the plan recommended by the President in his message of May 19, 1954.

Very truly yours,

M. B. FOLSOM,
Acting Secretary of the Treasury.

○

Calendar No. 1665

83^D CONGRESS
2^D SESSION

S. 3681

[Report No. 1654]

IN THE SENATE OF THE UNITED STATES

JUNE 28 (legislative day, JUNE 22), 1954

Mr. CARLSON, from the Committee on Post Office and Civil Service, reported the following bill; which was read twice and ordered to be placed on the calendar

A BILL

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Employees'
4 Group Life Insurance Act of 1954."

5 SEC. 2. (a) Except as provided in (b) of this section,
6 each appointive or elective officer or employee (hereinafter
7 called employee) in or under the executive, judicial, or legis-
8 lative branch of the United States Government, including
9 a Government owned or controlled corporation (but not in-

cluding any corporation under the supervision of the Farm Credit Administration of which corporation any member of the board of directors is elected or appointed by private interests), and of the municipal government of the District of Columbia shall, at such time and under such conditions of eligibility as the Civil Service Commission (hereinafter called the Commission) may by regulation prescribe, come within the purview of this Act. Such regulations may provide for the exclusion of employees on the basis of the nature and type of employment or conditions pertaining thereto such as, but not limited to, short term appointments, seasonal or intermittent employment, part-time employment, and employment of like nature, and shall be issued only after consultation with the head of the department, establishment, agency, or other employing authority concerned: *Provided*, That no employee or group of employees shall be excluded solely on the basis of the hazardous nature of employment.

(b) This Act shall not apply to noncitizen employees whose permanent duty station is located outside a State of the United States or the District of Columbia, nor shall it apply to commissioned officers and enlisted personnel on active duty in or with the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States, who have indemnity coverage under the Servicemen's Indemnity Act of 1951 (65 Stat. 33).

1 SEC. 3. (a) Each employee to whom this Act applies
2 shall be eligible to be insured for an amount of group life
3 insurance approximating his annual compensation not ex-
4 ceeding \$20,000 plus an equal amount of group accidental
5 death and dismemberment insurance, in accordance with the
6 following schedule:

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death and dis- memberment insurance shall be—
Greater than	But not greater than		
0	\$1, 000	\$1, 000	\$1, 000
\$1, 000	2, 000	2, 000	2, 000
2, 000	3, 000	3, 000	3, 000
3, 000	4, 000	4, 000	4, 000
4, 000	5, 000	5, 000	5, 000
5, 000	6, 000	6, 000	6, 000
6, 000	7, 000	7, 000	7, 000
7, 000	8, 000	8, 000	8, 000
8, 000	9, 000	9, 000	9, 000
9, 000	10, 000	10, 000	10, 000
10, 000	11, 000	11, 000	11, 000
11, 000	12, 000	12, 000	12, 000
12, 000	13, 000	13, 000	13, 000
13, 000	14, 000	14, 000	14, 000
14, 000	15, 000	15, 000	15, 000
15, 000	16, 000	16, 000	16, 000
16, 000	17, 000	17, 000	17, 000
17, 000	18, 000	18, 000	18, 000
18, 000	19, 000	19, 000	19, 000
19, 000	-----	20, 000	20, 000

7 (b) Subject to the conditions and limitations of the
8 policy or policies purchased by the Commission under this
9 Act, as may be approved by the Commission, the group
10 accidental death and dismemberment insurance shall provide
11 payments as follows:

Loss	Amount payable
For loss of life.	Full amount shown in the schedule in (a) of this section.
Loss of one hand or of one foot or loss of sight of one eye.	One-half the amount shown in the schedule in (a) of this section.
Loss of two or more such members.	Full amount shown in the schedule in (a) of this section.

1 For any one accident the aggregate amount of group acci-
2 dental death and dismemberment insurance that may be paid
3 shall not exceed the amount shown in the schedule in (a)
4 of this section.

5 (c) The Commission shall by regulation provide for the
6 conversion of other than annual rates of compensation to an
7 annual basis, and shall further specify the types of compensa-
8 tion to be included in annual compensation.

9 (d) Each of such amounts of insurance shall be reduced
10 by 2 per centum thereof at the end of each full calendar
11 month following the date the employee attains age sixty-five,
12 subject to minimum amounts prescribed by the Commission,
13 but not less than 25 per centum of the insurance in force
14 immediately preceding the first reduction provided herein:
15 *Provided*, That the amounts of insurance in force from time
16 to time on an employee who becomes insured under this Act
17 after having attained the age of sixty-five shall be the same as
18 would be in force had he been insured at age sixty-five, and
19 shall be based on the lesser of his annual compensation (1)
20 at the time he becomes so insured, or (2) at age sixty-five,
21 provided he was eligible at that time to be insured under
22 this Act.

23 SEC. 4. Any amount of group life insurance and group
24 accidental death insurance in force on any employee at the
25 date of his death shall be paid, upon the establishment of a

1 valid claim therefor, to the person or persons surviving at the
2 date of his death, in the following order of precedence:

3 First, to the beneficiary or beneficiaries as the employee
4 may have designated by a writing received in the employing
5 office prior to death;

6 Second, if there be no such beneficiary, to the widow
7 or widower of such employee;

8 Third, if none of the above, to the child or children
9 of such employee and descendants of deceased children by
10 representation;

11 Fourth, if none of the above, to the parents of such em-
12 ployee or the survivor of them;

13 Fifth, if none of the above, to the duly appointed execu-
14 tor or administrator of the estate of such employee;

15 Sixth, if none of the above, to other next of kin of such
16 employee entitled under the laws of domicile of such em-
17 ployee at the time of his death.

18 If any person otherwise entitled to payment under this
19 section does not make claim therefor within one year after
20 the death of the employee, or if payment to such person
21 within that period is prohibited by Federal statute or regula-
22 tion, payment may be made in the order of precedence as
23 if such person had predeceased the employee, and any such
24 payment shall be a bar to recovery by any other person.

25 SEC. 5. (a) During any period in which an employee

1 under age sixty-five is insured under a policy of insurance
2 purchased by the Commission as authorized in section 7 of
3 this Act, there shall be withheld from each salary payment
4 of such employee, as his share of the cost of his group life and
5 accidental death and dismemberment insurance, an amount
6 determined by the Commission, but not to exceed the rate of
7 25 cents biweekly for each \$1,000 of his group life insurance:
8 *Provided*, That an employee who is paid on other than a
9 biweekly basis shall have an amount so withheld, determined
10 at a proportionate rate, which rate shall be adjusted to the
11 nearest cent.

12 Any policy of insurance purchased by the Commission as
13 authorized in section 7 of this Act shall provide that all em-
14 ployees eligible under the terms of this Act will be auto-
15 matically insured thereunder commencing on the date they
16 first become so eligible: *Provided*, That any employee de-
17 siring not to be so insured shall, on an appropriate form to
18 be prescribed by the Commission, give written notice to his
19 employing office that he desires not to be insured. If such
20 notice is received before the employee shall have become in-
21 sured under such policy, he shall not be so insured; if it is
22 received after he shall have become insured, his insurance
23 under the policy will cease effective with the end of the pay
24 period during which the notice is received by the employing
25 office.

1 (b) For each period in which an employee is insured
2 under a policy of insurance purchased by the Commission as
3 authorized in section 7 of this Act, there shall be contributed
4 from the respective appropriation or fund which is used for
5 payment of his salary, wage, or other compensation (or, in
6 the case of an elected official, from such appropriation or fund
7 as may be available for payment of other salaries of the same
8 office or establishment) a sum computed at a rate determined
9 by the Commission, but not to exceed one-half the amount
10 withheld from the employee under this section.

11 (c) The sums withheld from employees under sub-
12 section (a) and the sums contributed from appropriations
13 and funds under subsection (b) shall be deposited in the
14 Treasury of the United States to the credit of a fund which
15 is hereby created. Said fund is hereby made available with-
16 out fiscal year limitation for premium payments under any
17 insurance policy or policies purchased as authorized in sections
18 7 and 10 of this Act, and for any expenses incurred by the
19 Commission in the administration of this Act within such limi-
20 tations as may be specified annually in appropriation acts:
21 *Provided*, That appropriations available to the Commission
22 for salaries and expenses for the fiscal year 1955 shall be
23 available on a reimbursable basis for necessary administrative
24 expenses of carrying out the purposes of this Act until said
25 fund shall be sufficient to provide therefor. The income

1 derived from any dividends or premium rate adjustments
2 received from insurers shall constitute a part of said fund.

3 SEC. 6. Each policy purchased under this Act shall
4 contain a provision, in terms approved by the Commission,
5 to the effect that any insurance thereunder on any employee
6 shall cease upon his separation from the service or twelve
7 months after discontinuance of his salary payments, which-
8 ever first occurs, subject to a provision which shall be con-
9 tained in the policy for temporary extension of coverage and
10 for conversion to an individual policy of life insurance under
11 conditions approved by the Commission, except that if upon
12 such date as the insurance would otherwise cease the em-
13 ployee (a) retires on an immediate annuity, and (b) unless
14 retired for disability, has had fifteen years of creditable
15 civilian service, as determined by the Commission, his life
16 insurance only may, under conditions determined by the
17 Commission, be continued without cost to him in the amounts
18 for which he would have been insured from time to time had
19 his salary payments continued at the same rate as on the
20 date of cessation.

21 SEC. 7. (a) The Commission is authorized, without re-
22 gard to section 3709 of the Revised Statutes as amended, to
23 purchase from one or more life insurance companies, as deter-
24 mined by it, a policy or policies of group life and accidental
25 death and dismemberment insurance to provide the benefits

1 specified in this Act: *Provided*, That any such company must
2 meet the following requirements: (1) Be licensed under the
3 laws of forty-eight of the States of the United States and the
4 District of Columbia to transact life and accidental death and
5 dismemberment insurance, and (2) the amount of its em-
6 ployee group life insurance on the most recent December 31
7 for which information is available to the Commission shall on
8 that date equal at least 1 per centum of the total amount of
9 employee group life insurance in the United States in all life
10 insurance companies.

11 (b) The life insurance company or companies issuing
12 such policy or policies shall establish an administrative office
13 under a name to be approved by the Commission.

14 (c) The Commission shall arrange with the life insur-
15 ance company or companies issuing any policy or policies
16 purchased under this Act to reinsure, under conditions ap-
17 proved by it, portions of the total amount of insurance under
18 the policy or policies, determined as provided in subsection
19 (d) of this section, with such other life insurance companies
20 as may elect to participate in such reinsurance.

21 (d) The Commission shall determine a formula so that
22 the amount of insurance in force to be retained by each issuing
23 company after ceding reinsurance and the total amount of
24 reinsurance ceded to each reinsuring company shall be in

1 proportion to the total amount of each such company's group
2 life insurance in force in the United States on December 31,
3 1953: *Provided*, That in determining such proportions, that
4 portion of any company's group life insurance in force on
5 December 31, 1953, which is in excess of \$100,000,000 shall
6 be reduced by 25 per centum of the first \$100,000,000 of
7 such excess, 50 per centum of the second \$100,000,000 of
8 such excess, 75 per centum of the third \$100,000,000 of
9 such excess, and 95 per centum of any excess thereafter:
10 *Provided further*, That the amount retained by or ceded to
11 any company shall not exceed 25 per centum of the amount
12 of that company's total life insurance in force in the United
13 States on December 31, 1953: *Provided further*, That if,
14 at the end of one year following the date of enactment of
15 this Act, in the case of any issuing company or reinsurer
16 which insured employees of the Federal Government on De-
17 cember 31, 1953, under policies issued to an association of
18 Federal employees, the amount which results from the ap-
19 plication of this formula is less than the decrease, if any,
20 in the amount of such company's insurance under such poli-
21 cies, the amount allocated to such company shall, upon the
22 first reallocation as provided in subsection (e) of this sec-
23 tion, be increased to the amount of such decrease: *And pro-*
24 *vided further*, That any fraternal benefit association which

1 is licensed under the laws of a State of the United States
2 or the District of Columbia to transact life insurance and is
3 engaged in issuing insurance certificates on the lives of
4 employees of the Federal Government exclusively shall be
5 eligible to act as a reinsuring company and may be allocated
6 an amount of reinsurance equal to 25 per centum of its
7 total life insurance in force on employees of the Federal
8 Government on December 31, 1953.

9 (e) The companies eligible to participate as rein-
10 surers, and the amount of insurance under the policy or
11 policies to be allocated to each issuing company or reinsurer
12 may be redetermined by the Commission for and in advance
13 of any policy year after the first, on a basis consistent with
14 subsections (c) and (d) of this section, with any modifica-
15 tions thereof it deems appropriate to carry out the intent
16 of such subsections, and based on each participating com-
17 pany's group life insurance in force, excluding that under
18 any policy or policies purchased under this Act except in the
19 case of companies covered in the third proviso of subsection
20 (d), in the United States on the most recent December 31
21 for which information is available to it, and shall be so
22 redetermined in a similar manner not less often than every
23 three years or at any time that any participating company
24 withdraws from participation.

1 (f) The Commission may at any time discontinue any
2 policy or policies it has purchased from any insurance
3 company.

4 SEC. 8. (a) Each policy or policies purchased under this
5 Act shall include, for the first policy year, basic tables of
6 premium rates as follows:

7 (1) For group life insurance, a schedule of basic pre-
8 mium rates by age which the Commission shall have de-
9 termined on a basis consistent with the lowest schedule of
10 basic premium rates generally charged for new group life
11 insurance policies issued to large employers, this schedule of
12 basic premium rates by age to be applied, except as other-
13 wise provided in this section, to the distribution by age of
14 the amounts of group life insurance under the policy at its
15 date of issue to determine an average basic premium rate
16 per \$1,000 of life insurance, and

17 (2) For group accidental death and dismemberment
18 insurance, a basic premium rate which the Commission shall
19 have determined on a basis consistent with the lowest rate
20 generally charged for new group accidental death and dis-
21 memberment insurance policies issued to large employers.

22 Each policy so purchased shall also include provisions
23 whereby the basic rates of premium determined for the first
24 policy year shall be continued for subsequent policy years,
25 except that they may be readjusted for any subsequent year,

1 based on the experience under the policy, such readjustment
2 to be made by the insurance company or companies issuing
3 the policy on a basis determined by the Commission in ad-
4 vance of such year to be consistent with the general prac-
5 tice of life insurance companies under policies of group life
6 and group accidental death and dismemberment insurance
7 issued to large employers.

8 (b) Each policy so purchased shall include a provision
9 that, in the event the Commission determines that ascertain-
10 ing the actual age distribution of the amounts of group life
11 insurance in force at the date of issue of the policy or at
12 the end of the first or any subsequent year of insurance
13 thereunder would not be possible except at a disproportion-
14 ately high expense, it may approve the determination of a
15 tentative average group life premium rate, for the first or
16 any subsequent policy year, in lieu of using the actual age
17 distribution. Such tentative average premium rate shall be
18 redetermined by the Commission during any policy year
19 upon request by the insurance company or companies issuing
20 the policy, if experience indicates that the assumptions made
21 in determining the tentative average premium rate for that
22 policy year were incorrect.

23 (c) Each policy so purchased shall contain a provision
24 stipulating the maximum expense and risk charges for the
25 first policy year, which charges shall have been determined

1 by the Commission on a basis consistent with the general
2 level of such charges made by life insurance companies under
3 policies of group life and accidental death and dismember-
4 ment insurance issued to large employers. Such maximum
5 charges shall be continued from year to year, except that
6 the Commission may redetermine such maximum charges
7 for any year either by agreement with the insurance com-
8 pany or companies issuing the policy or upon written notice
9 given by it to such companies at least one year in advance of
10 the beginning of the year for which such redetermined maxi-
11 mum charges will be effective.

12 (d) Each such policy shall provide for an accounting
13 to the Commission not later than ninety days after the end
14 of each policy year, which shall set forth, in a form approved
15 by the Commission, (1) the amounts of premiums actually
16 accrued under the policy from its date of issue to the end of
17 such policy year, (2) the total of all mortality and other
18 claim charges incurred for that period, and (3) the amounts
19 of the insurers' expense and risk charges for that period.
20 Any excess of the total of item (1) over the sum of items
21 (2) and (3) shall be held by the insurance company or
22 companies issuing the policy as a special contingency reserve
23 to be used by such insurance company or companies for

1 charges under such policy only, such reserve to bear interest
2 at a rate to be determined in advance of each policy year by
3 the insurance company or companies issuing the policy,
4 which rate shall be approved by the Commission as being
5 consistent with the rates generally used by such company or
6 companies for similar funds held under other group life in-
7 surance policies: *Provided*, That, if and when the Commis-
8 sion determines that such special contingency reserve has
9 attained an amount estimated by it to make satisfactory pro-
10 vision for adverse fluctuations in future charges under the
11 policy, any further such excess shall be deposited in the
12 Treasury of the United States to the credit of the fund. If
13 and when such policy is discontinued, and if after all charges
14 have been made, there is any positive balance remaining
15 in such special contingency reserve, such balance shall be
16 deposited in the Treasury of the United States to the credit
17 of the fund, subject to the right of the insurance company
18 or companies issuing the policy to make such deposit in
19 equal monthly installments over a period of not more than
20 two years.

21 SEC. 9. The Commission shall arrange to have each
22 employee insured under such policy receive a certifi-
23 cate setting forth the benefits to which the employee is

1 entitled thereunder, to whom such benefits shall be payable,
2 to whom claims should be submitted, and summarizing the
3 provisions of the policy principally affecting the employee.
4 Such certificate shall be in lieu of the certificate
5 which the insurance company or companies would otherwise
6 be required to issue.

7 SEC. 10. (a) The Commission is authorized to arrange
8 with any nonprofit association of Federal employees for
9 the assumption by the fund of any existing life insurance
10 agreements of such association with its members retired or
11 otherwise separated from the Federal service and to insure
12 the obligations assumed with any company or companies
13 meeting the requirements of section 7 (a).

14 (b) Any such arrangement shall provide that payments
15 by such insured members for life insurance only shall there-
16 after be made at the same rates to the fund, under such con-
17 ditions as the Commission may prescribe.

18 (c) Any such arrangement shall further provide that
19 there be transferred to and deposited in the fund the lesser of
20 the following amounts:

21 (1) The total assets of the life insurance fund of
22 such association; or

23 (2) The amount required to meet the liabilities
24 under life insurance agreements assumed, taking into ac-
25 count the payments as provided in paragraph (b). The

determination of this amount shall be based on an actuarial valuation satisfactory to the Commission, procured by the association without expense to the Commission.

(d) The arrangements authorized by this section shall be made only with those associations which terminate life insurance agreements with all of their members within one year after the date of enactment of this Act, and such arrangements shall apply only to life insurance granted to any member by any such association before January 1, 1954.

(e) In any case in which the fund assumes a liability for life insurance as provided in this section in respect to a person who (1) subsequently becomes eligible to be insured as an employee under this Act, and (2) does not give notice, as provided in section 5 (a), of his desire not to be so insured, the life insurance provided under this section shall terminate as of the date such person becomes insured as an employee.

SEC. 11. Except as otherwise provided herein, the Commission is hereby authorized to promulgate such regulations as may be necessary and proper to give effect to the intent, purposes, and provisions of this Act.

SEC. 12. (a) There is hereby established an Advisory Council on Group Insurance consisting of the Secretary of the Treasury as Chairman, the Secretary of Labor, and the Direc-

1 tor of the Bureau of the Budget, who shall serve without
2 additional compensation. The Council shall meet once a
3 year, or oftener at the call of the Commission, and shall re-
4 view the operations of this Act and advise the Commission
5 on matters of policy relating to its activities thereunder.

6 (b) The Chairman of the Commission shall appoint a
7 committee composed of five employees insured under this Act,
8 who shall serve without compensation, to advise the Commis-
9 sion regarding matters of concern to employees under this
10 Act.

11 SEC. 13. The Commission shall report annually to Con-
12 gress upon the operation of this Act.

13 SEC. 14. The district courts of the United States shall
14 have original jurisdiction, concurrent with the Court of
15 Claims, of any civil action or claim against the United States
16 founded upon this Act.

17 SEC. 15. The insurance provided by this Act and the
18 withholdings and contributions for that purpose shall become
19 effective when directed by the Commission.

A BILL

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

By Mr. CARLSON

JUNE 28 (legislative day, JUNE 22), 1954

Read twice and ordered to be placed on the calendar

The motion was agreed to; and the Senate resumed the consideration of legislative business.

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following letters, which were referred as indicated:

REPORT ON COOPERATION WITH MEXICO IN CONTROL AND ERADICATION OF FOOT-AND- MOUTH DISEASE

A letter from the Acting Secretary of Agriculture, transmitting, pursuant to law, a confidential report on cooperation of the United States with Mexico in the control and eradication of foot-and-mouth disease, for the month of April 1954 (with an accompanying report); to the Committee on Agriculture and Forestry.

AMENDMENT TO INTERNATIONAL CLAIMS SETTLEMENT ACT OF 1949

A letter from the Director, Bureau of the Budget, Executive Office of the President, transmitting a draft of proposed legislation to amend the International Claims Settlement Act of 1949, as amended, approved March 10, 1950, and for other purposes (with accompanying papers); to the Committee on Foreign Relations.

AMENDMENT OF WAR CLAIMS ACT OF 1948, AS AMENDED

A letter from the Director, Bureau of the Budget, Executive Office of the President, transmitting a draft of proposed legislation to amend the War Claims Act of 1948, as amended, approved July 3, 1948 (with accompanying papers); to the Committee on the Judiciary.

ADMISSION INTO THE UNITED STATES OF CERTAIN ALIENS

A letter from the Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders entered granting admission into the United States of certain aliens (with accompanying papers); to the Committee on the Judiciary.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the VICE PRESIDENT:

A resolution adopted by the general assembly of the Cumberland Presbyterian Church, Memphis, Tenn., favoring the distribution overseas of surplus commodities; to the Committee on Foreign Relations.

A resolution adopted by the mayor and Board of Supervisors of the City and County of Honolulu, T. H., favoring the enactment of House bills 7517 and 7518, relating to the issuance of bonds for the construction of municipal utilities in Honolulu; to the Committee on Interior and Insular Affairs.

A resolution adopted by the sportsmen of Mississippi, at Woolfolk State office building, Jackson, Miss., relating to the establishment of the duck-hunting season in Mississippi; to the Committee on Interstate and Foreign Commerce.

A telegram embodying a resolution adopted by the State convention of the Military Order of the Purple Heart, at Phoenix, Ariz., signed by Stanley A. Pitchford, department adjutant, relating to the restoration of the appropriation for the full amount recommended by the budget for the care of veterans in the veterans' hospital at Phoenix and elsewhere; to the Committee on Labor and Public Welfare.

A resolution adopted by the board of directors of the Maui Chamber of Commerce, Wailuku, Maui, T. H., favoring the repeal of Public Law 99, enacted in 1951, providing

for the reduction in size and weight limits of fourth-class mail; to the Committee on Post Office and Civil Service.

EXEMPTION OF FARM OWNERS FROM UNIVERSAL MILITARY TRAINING—RESOLUTION

Mr. FLANDERS. Mr. President, I present for appropriate reference, and ask unanimous consent to have printed in the RECORD, a resolution adopted by the Cascadnac Grange and the Calvin Coolidge Grange, both in the State of Vermont, favoring the exemption of young farm owners from the provisions of the Universal Military Training Act.

There being no objection, the resolution was referred to the Committee on Armed Services, and ordered to be printed in the RECORD, as follows:

Whereas agriculture is one of our greatest industries in the United States; and

Whereas we have so few young men who are farmer owners; and

Whereas it is necessary for them to sell their livestock and in some cases their farms when entering military training: Be it

Resolved, That Calvin Coolidge Pomona Grange No. 29 go on record as favoring an amendment to our present universal military training law that would exempt these young farmers from service; and be it further

Resolved, That a copy of this resolution be forwarded to the State grange and our Congressman and Senators.

Adopted by Cascadnac Grange, Vermont, May 12, 1954; Calvin Coolidge, Pomona, Vt., May 20, 1954.

ELIMINATION OF ALCOHOLIC BEV- ERAGE ADVERTISING IN INTER- STATE COMMERCE—PETITION

Mr. CLEMENTS. Mr. President, at the request of Mrs. John Lawwill, Sr., of Winchester, Ky., president of the Clark County Woman's Christian Temperance Union, I present a petition of 60 members of that organization, urging the enactment of the bill (S. 3294) to prohibit the transportation in interstate commerce of advertisements of alcoholic beverages, and for other purposes, and I ask that it be printed in the RECORD and referred to the Committee on Interstate and Foreign Commerce.

There being no objection, the petition was referred to the Committee on Interstate and Foreign Commerce, and ordered to be printed in the RECORD, as follows:

WINCHESTER, KY.

Senator EARLE CLEMENTS,

Washington, D. C.

SENATOR CLEMENTS: I am writing in behalf of our Clark County WCTU Union of 60 members to let you know how we stand in regards to House bill or the Bryson bill; we are in favor of it, and am asking you to please insert our petition in the CONGRESSIONAL RECORD.

Respectfully submitted.

Mrs. JOHN LAWWILL,

Secretary-President, Clark County
WCTU Union of 60 Members.

AFFLICTIONS VISITED UPON THE BALTIC STATES OF LITHUANIA, LATVIA, AND ESTONIA—RESOLU- TIONS

Mr. SALTONSTALL. Mr. President, I present for appropriate reference, and ask unanimous consent to have printed

in the RECORD resolutions adopted by the Lithuanians of Worcester, Mass., at their recent convention held in that city, relative to the tortures and brutal force of arms used in the annexation of the Baltic States of Lithuania, Latvia, and Estonia.

There being no objection, the resolutions were referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

At a mass meeting held by the Lithuanians of Worcester, in the Commonwealth of Massachusetts, at Malronis Park in the town of Shrewsbury in said Commonwealth, the following resolutions were unanimously adopted:

"Whereas on June 15, 1940, Soviet Russia, without warning and by brutal force of arms invaded and occupied the Baltic states of Lithuania, Latvia, and Estonia and enslaved those countries and their peoples; and

"Whereas on the days of June 14, and 15, 1941, Soviet Russia by use of armed force, contrary to all laws and human rights committed brutal atrocities and murder of the innocent men, women and children of the occupied Baltic states, deported some fifty thousand Lithuanian men, women and children to the slave-labor camps in Siberia and other remote parts of the Soviet Union, imprisoned thousands of Lithuania's nationals, and proceeded to systematically destroy the democratic forms of government of the enslaved Republics of Lithuania, Latvia and Estonia; and

"Whereas the illegal and by-force-of-arms occupation and the commitment of wholesale murder and torture of the innocent populations of the occupied countries and imprisonment and deportation of the nationals of said countries continues to the present day: Be it

Resolved, That the Lithuanians of Worcester in the Commonwealth of Massachusetts, in commemoration of the tragedy which befell their homeland on days above mentioned, do hereby most vigorously condemn the illegal, by-force-of-arms occupation of Lithuania, Latvia, and Estonia, the commitment of atrocities, the brutal killing, deportation, and imprisonment of the peoples of the occupied countries and the destruction of their democratic forms of government;

Resolved, That the Lithuanians of said Worcester do hereby express their thanks and gratitude to the Government of the United States of America for its support of Lithuania's cause for freedom and for its refusal to recognize the illegal, by-force-of-arms annexation of the Baltic States of Lithuania, Latvia and Estonia by Soviet Russia;

Resolved, That the Lithuanians of said Worcester do hereby most earnestly entreat and request the Government of the United States of America to use its influence to the utmost to the end that the armed forces of the Soviet Union be withdrawn from the territory of Lithuania and the other occupied countries, that the genocide of the peoples of said countries be ended, and that the Republic of Lithuania and said other occupied countries be restored as free and independent countries among nations of the world as enunciated in the Atlantic Charter;

Resolved, That a copy of these resolutions be forwarded to the President of the United States of America, the Secretary of State, the Ambassador of the United States to the United Nations, to Senators and Congressmen of the United States, and the press."

Joseph K. Shaloviejus, Chairman; Alexander Kuzmickas, Lionginas Leknickas, Cochairmen; Pranas A. Aukstutis, Secretary; Jonas Palubeckas, Jonas Vizbaras, Pranas Stanelis, Mrs. Marija Zidziunas, Alfonsas Kausevicius, Valovlas Zidziunas, Committee Members.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. SALTONSTALL, from the Committee on Armed Services, with amendments:

S. 3466. A bill to provide for two additional Assistant Secretaries of the Army, Navy, and Air Force, respectively (Rept. No. 1643).

By Mr. BRICKER, from the Committee on Interstate and Foreign Commerce, with amendments:

S. 3435. A bill to amend the act relating to the administration of the Washington National Airport, to incorporate the Washington National Airport Corporation, and for other purposes (Rept. No. 1653).

By Mr. BUTLER of Maryland, from the Committee on Interstate and Foreign Commerce, with amendments:

S. 1763. A bill to amend section 4482 of the Revised Statutes, as amended (46 U. S. C. 475), relating to life preservers for river steamers (Rept. No. 1646);

S. 3546. A bill to provide an immediate program for the modernization and improvement of such merchant-type vessels in the reserve fleet as are necessary for national defense (Rept. No. 1647).

By Mr. BUTLER of Maryland, from the Committee on Interstate and Foreign Commerce, without amendment:

H. R. 8538. A bill to provide for the revocation or denial of merchant-marine documents to persons involved in certain narcotics violations (Rept. No. 1648);

S. J. Res. 67. Joint resolution to repeal certain World War II laws relating to return of fishing vessels, and for other purposes (Rept. No. 1649); and

S. J. 161. Joint resolution to authorize the Secretary of Commerce to sell certain war-built passenger-cargo vessels, and for other purposes (Rept. No. 1645).

By Mr. SCHOEPPEL, from the Committee on Interstate and Foreign Commerce, with an amendment:

H. R. 7468. A bill to amend certain provisions of part II of the Interstate Commerce Act so as to authorize regulation, for purposes of safety and protection of the public, of certain motor-carrier transportation between points in foreign countries, insofar as such transportation takes place within the United States (Rept. No. 1650).

By Mr. PURTELL, from the Committee on Interstate and Foreign Commerce, with amendments:

S. 3190. A bill to amend section 3 of the act of January 2, 1951, prohibiting the transportation of gambling devices in interstate and foreign commerce (Rept. No. 1651); and

S. 3542. A bill to prohibit transmission of certain gambling information in interstate and foreign commerce by communications facilities (Rept. No. 1652).

By Mr. KUCHEL, from the Committee on Public Works, without amendment:

H. R. 2683. A bill to amend section 12 of the Alaska Public Works Act, approved August 24, 1949 (63 Stat. 629) (Rept. No. 1644).

GROUP LIFE INSURANCE FOR CIVILIAN EMPLOYEES OF THE GOVERNMENT—REPORT OF A COMMITTEE

Mr. CARLSON. Mr. President, from the Committee on Post Office and Civil Service, I report an original bill to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes, and I submit a report (No. 1654) thereon.

THE VICE PRESIDENT. The report will be received and the bill will be placed on the calendar.

The bill (S. 3681) to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes, reported by Mr. CARLSON, from the Committee on Post Office and Civil Service, was read twice by its title, and placed on the calendar.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, June 28, 1954, he presented to the President of the United States the following enrolled bills:

S. 119. An act to provide for the construction of the Markam Ferry project on the Grand River in Oklahoma by the Grand River Dam Authority, an instrumentality of the State of Oklahoma; and

S. 2217. An act to amend section 67 of the National Defense Act, as amended, to provide for an active-duty status for all United States property and fiscal officers.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. DIRKSEN (by request):

S. 3671. A bill for the relief of Ana M. Costes; to the Committee on the Judiciary.

By Mr. HILL:

S. 3672. A bill to amend the laws granting education and training benefits to certain veterans to extend the period during which such benefits may be offered; to the Committee on Labor and Public Welfare.

By Mr. KUCHEL (for himself and Mr. KNOWLAND):

S. 3673. A bill to authorize the construction of certain public works for flood control on San Lorenzo Creek, Calif.; to the Committee on Public Works.

(See the remarks of Mr. KUCHEL when he introduced the above bill, which appear under a separate heading.)

By Mr. LANGER:

S. 3674. A bill to provide for public accountability by tax-exempt organizations, and for other purposes; to the Committee on Finance.

S. 3675. A bill to establish and effectuate a policy with respect to the creation or chartering of certain corporations by act of Congress, and for other purposes; and

S. 3676. A bill for the relief of Rodolfo C. Delgado, Jesus M. Laguna, and Vicente D. Reynante; to the Committee on the Judiciary.

S. 3677. A bill to provide for exclusion from the mails of mail violating certain State laws dealing with improper solicitations of contributions by charitable organizations and to forbid the payment of money orders therefor; to the Committee on Post Office and Civil Service.

(See the remarks of Mr. LANGER when he introduced the last above-mentioned bill, which appear under a separate heading.)

By Mr. MALONE:

S. 3678. A bill for the relief of the city of Carson City, Nev.; to the Committee on the Judiciary.

By Mr. BRICKER (by request):

S. 3679. A bill to increase the efficiency of the Coast and Geodetic Survey, and for other purposes; and

S. 3680. A bill to amend the act of March 3, 1901 (31 Stat. 1449), as amended, to incorporate in the organic act of the National Bureau of Standards the authority to use the working capital fund, and to permit certain improvements in fiscal practices; to the Committee on Interstate and Foreign Commerce.

(See the remarks of Mr. BRICKER when he introduced the above bills, which appear under separate headings.)

By Mr. CARLSON:

S. 3681. A bill to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes; placed on the calendar.

(See the remarks of Mr. CARLSON when he reported the above bill from the Committee on Post Office and Civil Service, which appear under a separate heading.)

CONSTRUCTION OF CERTAIN FLOOD-CONTROL WORKS ON SAN LORENZO CREEK, CALIF.

Mr. KUCHEL. Mr. President, the spectacular and continuing growth of my State of California has confronted scores of communities, as I am aware has happened elsewhere in the nations where urban development has proceeded at a rapid pace, with a constantly expanding series of problems. One kind of growing pains which cannot be ignored for long is due to the need of protecting the lives and properties of our people from often devastating forces of nature.

Large areas of California are semiarid, as I am certain my colleagues realize, with the result that our people are striving constantly to overcome their requirements for water. Yet, because of the unique topography of the State, many sections are at times threatened with tremendous damage from extraordinary volumes of rainfall which present the opposite type of problem and make necessary special flood-control measures.

Because of the growing pains and the danger of uncontrollable forces of nature, on behalf of my colleague, the senior Senator from California [Mr. KNOWLAND], and myself, I introduce for appropriate reference a bill to authorize a desperately required flood-control project on San Lorenzo Creek which flows through a fast-expanding residential area on the east side of San Francisco Bay.

At this time, in view of the unusual conditions existing in portions of our State, I wish to offer a brief explanation of the reasons why my colleague and I believe this bill is urgent.

The San Lorenzo Creek Basin comprises an area of approximately 61 square miles in Alameda County, the county in which my colleague resides. Formerly a substantial part of the area was devoted to agriculture, but in recent years, in common with other sections of our State adjacent to the industrial and commercial centers, there has been marked residential growth. According to the 1950 census, the population of the section of the basin where the Army engineers have declared flood protection is essential was approximately 40,000.

Occurrences of high intensity rainfall in a terrain where there is exceedingly fast runoff have caused successive floods. Due to high velocities severe erosion generally occurs. The maximum amount of water normally rushes down the tributaries into the main stream within only a few hours. These condi-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued July 7, 1954
For actions of July 6, 1954
83rd-2nd, No. 124

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HIGHLIGHTS: Senate passed bill to regulate pesticide chemicals. Sen. Mansfield defended current price support program. Sen. Murray suggested limitation on price support for big producers. Sen. Williams criticized USDA administration of drought relief. House passed bill revising food-drug title of U. S. Code. Rep. Hebert criticized USDA for holding cattle in La. and introduced measure to prevent their disposition.

SENATE

1. PESTICIDE CHEMICALS. Passed as reported H. R. 7125, to provide for regulation of residues of pesticides and chemicals in or on raw agricultural commodities (pp. 9235-7).
2. FARM PROGRAM. H. R. 9680, the farm program bill as passed by the House, was referred to the Senate Agriculture and Forestry Committee (p. 9218).
Sen. Langer inserted a Farmers Union local resolution on various aspects of the farm program (p. 9216).
3. PRICE SUPPORTS. Sen. Mansfield defended the present price support program and stated that its cost has been small compared with subsidies to business (pp. 9258-63).
Sen. Murray defended the current price support program and suggested that its benefits to large producers be restricted (pp. 9222-3).
4. DROUGHT RELIEF. Sen. Williams criticized assistance to the King ranch in connection with the drought-relief program and inserted a letter from K. L. Scott on this matter (pp. 9263-4).
5. TRANSPORTATION. Passed with amendments S. 906, to establish the finality of contracts between the Government and common carriers of passengers and freight

subject to ICC regulation (pp. 9241-3).

6. FOREIGN AID. Agreed, as reported, to S. Res. 214, providing for a study of technical assistance programs by the Foreign Relations Committee (p. 9227). Sen. Smathers requested additional aid for Latin America (p. 9218).

7. RECLAMATION. Passed with amendment H. R. 4854, to authorize the Foster Creek project, Wash. (pp. 9223-4).

8. PERSONNEL. Discussed and passed over S. 3681, to aid in providing life insurance for Federal employees (p. 9241). Sen. Knowland announced that this bill is to be debated later in the week (p. 9251).

Both Houses received from the Budget Bureau a report on operations under title X of the Classification Act, regarding management improvement and awards; to Post Office and Civil Service Committees (pp. 9216, 9385).

9. VOCATIONAL REHABILITATION. S. 2759, to extend and improve the Vocational Rehabilitation Act, was made the unfinished business (p. 9263).

HOUSE

10. APPROPRIATIONS. H. Doc. 460 (July 2) is a supplemental appropriation estimate of \$350,000 additional to the Labor Department to recruit additional Mexican farm laborers to harvest the cotton, vegetable, and citrus crops. The Budget Bureau letter states, "The recently intensified program...to apprehend and deport aliens is expected to curtail the number of Mexican farm laborers employed illegally and increase the demand for legally recruited workers."

H. Doc. 459 (July 2) is a supplemental appropriation estimate of \$60,000 to GSA "to make the overall studies and to direct the establishment of" motor vehicle pools pursuant to H. R. 8753. The Budget Bureau letter states, "Ordinary operating and supervisory costs will be paid for by the agencies using these pools." The document also includes a Presidential recommendation for legislation to provide that "Leased warehouse space temporarily in excess of operating requirements may be subleased to commercial organizations and the proceeds credited to the fund from which rental payments are made."

11. MINERALS; PUBLIC LANDS. The Interior and Insular Affairs Committee reported with amendment H. R. 8896, to provide for multiple mineral development of the same tracts of public lands (H. Rept. 2028) (p. 9386).

12. RECLAMATION. Passed without amendment S. J. Res. 165, to authorize the Secretary of the Interior to include the Glendo unit, Wyo. in the comprehensive plan for development of the water resources of the Missouri River Basin authorized by the Flood Control Acts of 1944 and 1946. No additional funds for the construction of the Missouri River Basin project are authorized by this measure. (pp. 9293-4). This measure will now be sent to the President.

13. WATER COMPACT. Passed without amendment S. 3336, to include Nevada and Utah among the States authorized to negotiate a compact for division of Columbia River Waters (p. 9291). This bill will now be sent to the President.

14. LAW REVISIONS. Passed without amendment bills to revise, codify, and enact into positive law parts of the U. S. Code as follows: H. R. 9728, title 21, "Food, Drugs, and Cosmetics" (including various provisions enforced by this Department regarding animals and poultry)(pp. 9295-317); H. R. 9729, "Census"

SAFETY AND PROTECTION OF THE PUBLIC IN CERTAIN MOTOR-CARRIER TRANSPORTATION

The Senate proceeded to consider the bill (H. R. 7468) to amend certain provisions of part II of the Interstate Commerce Act so as to authorize regulation, for purposes of safety and protection of the public, of certain motor-carrier transportation between points in foreign countries, insofar as such transportation takes place within the United States which had been reported from the Committee on Interstate and Foreign Commerce with an amendment, on page 3, line 1, after the word "operates", to insert "and with the Interstate Commerce Commission."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

BILLS PASSED OVER

The bill (S. 3190) to amend section 3 of the act of January 2, 1951, prohibiting the transportation of gambling devices in interstate and foreign commerce, was announced as next in order.

Mr. HENDRICKSON. Mr. President, by request, I ask that the bill be passed over.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 3542) to prohibit transmission of certain gambling information in interstate and foreign commerce by communications facilities, was announced as next in order.

Mr. HENDRICKSON. Mr. President, I ask that the bill be passed over.

The PRESIDING OFFICER. The bill will be passed over.

GROUP LIFE INSURANCE FOR CIVIL OFFICERS AND EMPLOYEES—BILL PASSED OVER

The bill (S. 3681) to authorize the Civil Service Commission to make available group life-insurance for civil officers and employees in the Federal service, and for other purposes, was announced as next in order.

Mr. HENDRICKSON. Mr. President, reserving the right to object—and I shall not object—I notice that this bill will cost the United States Government approximately \$70 million.

Mr. SMATHERS. Mr. President, if the Senator from New Jersey is not disposed to object, I am in favor of the bill as an individual, but it is not the kind of bill that should be passed on the Unanimous Consent Calendar.

Mr. HENDRICKSON. I am concerned about that question also, but I do not wish to delay passage of the bill.

The PRESIDING OFFICER. Objection is heard, and the bill will be passed over.

Mr. CARLSON. Mr. President, I think the Senate has taken the proper action on this bill. In my opinion it should come up for consideration of the Senate when the calendar is not being called.

BILL PASSED OVER

The bill (S. 3435) to amend the act relating to the administration of the Washington National Airport to incorporate the Washington National Airport Corporation, and for other purposes, was announced as next in order.

Mr. GORE. Over.

The PRESIDING OFFICER. The bill will be passed over.

FINALITY OF CONTRACTS BETWEEN THE GOVERNMENT AND COMMON CARRIERS

The bill (S. 906) to establish the finality of contracts between the Government and common carriers of passengers and freight subject to the Interstate Commerce Act was announced as next in order.

Mr. HENDRICKSON. Mr. President, reserving the right to object—and I shall not object—I should like to request an explanation of the bill.

Mr. SCHOEPEL. Mr. President, this bill amends section 22 of the Interstate Commerce Act so as to enable the United States and the carriers to bargain as to rates on a firm and dependable basis. Our committee favorably reported this bill in the 82d Congress, 2d session, under bill S. 2355.

Section 22 of the act at present provides "that nothing in this part shall prevent the carriage, storage, or handling of property free or at reduced rates for the United States." Under this provision the railroads and other carriers from time to time have established many such reduced rates at the request of Government agencies, commonly referred to as "section 22 quotations or agreements." During World War II the railroads alone issued 740 such quotations.

At one time arrangements of this sort were regarded as contracts binding on both the carriers and the Government, but in recent years the Government has taken the position that by utilizing the rates so established it was not barred from later undertaking to obtain still lower charges as a result of orders of the Interstate Commerce Commission entered after the filing and hearing of complaints by the Government. At present there are pending before the Commission a number of these complaints, commonly known as the Government reparation cases.

The purpose of this bill is to prevent the Government, by complaint to the Commission, from assailing the rates established. Accordingly, it is proposed that after the quotation or contract has been accepted or agreed to by the Secretary of Defense or the Administrator of the General Services Administration, or by any official or employee of the United States to whom they may delegate such authority, the rate so established shall be conclusively presumed to be just, reasonable, and otherwise lawful and shall not be subject to attack, or reparation, after the date of such acceptance or agreement upon any grounds whatsoever except for actual fraud or deceit or clerical mistake.

The bill would also prevent consideration of the reduced rates as evidence of unreasonableness of other rates. It also provides that its passage shall not affect transactions other than those carried out under its terms. In other words, it is not retroactive.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. SCHOEPEL. I yield.

Mr. MAGNUSON. I am certain that the Senator from Kansas will agree to an amendment which I shall propose on page 1, line 10. At present the language is as follows: "any common carrier, or freight forwarder, subject to part I, II, or IV, of this act."

My amendment is to delete the words, "or freight forwarder," because, by Public Law 881, of the 81st Congress, enacted in 1950, freight forwarders were declared to be common carriers.

It was necessary to pass the bill at the time because of the confusion which arose with respect to freight forwarders. In other instances, freight forwarders have been eliminated from similar bills, because freight forwarders now are common carriers.

The PRESIDING OFFICER. Before considering the amendment offered by the Senator from Washington, the Chair inquires if there is objection to the present consideration of the bill.

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Interstate and Foreign Commerce with an amendment on page 2, line 9, after the word "reparation", to insert "after 180 days", so as to make the bill read:

Be it enacted, etc., That section 22 of the Interstate Commerce Act (49 U. S. C., sec. 22) is amended (1) by inserting after the section designation the letter "(a)", and (2) by adding at the end thereof the following:

"(b) Notwithstanding any other provision of law, any rates, fares, and charges, and rules, regulations, and practices with respect to the transportation of persons or property for or on behalf of the United States by any common carrier or freight forwarder subject to part I, II, III, or IV of this act, offered, negotiated, or established under the provisions hereof by quotation or contract when accepted or agreed to by the Secretary of Defense, the Secretary of Agriculture, or the Administrator of the General Services Administration, or by any official or employee of the United States to whom either of them may delegate such authority, shall be conclusively presumed to be just, reasonable, and otherwise lawful, and shall not be subject to attack, or reparation, after 180 days after the date of such acceptance or agreement upon any grounds whatsoever except for actual fraud or deceit, or clerical mistake. Such rates, fares, or charges, and rules, regulations, or practices, may be canceled or terminated upon not less than 90 days' written notice by the United States or by any of the other parties thereto.

"(c) Any such rates, fares, or charges, rules, regulations, or practices so made and accepted under the provisions hereof shall not be considered to have any bearing upon, or otherwise affect, the justness, reasonableness, or lawfulness of any rates, fares, or charges, or of any rules, regulations, or practices with respect to transportation services theretofore performed for, or on behalf of, the United States, nor shall the provisions of this section be construed as any indication that similar rates, fares, or charges or

similar, rules, regulations, or practices theretofore effective were or were not binding upon or enforceable against the United States."

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. MAGNUSON. Mr. President, I now submit an amendment, on page 1, line 10, to eliminate three words: "or freight forwarder."

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 1, line 10, it is proposed to strike out "or freight forwarder."

Mr. MAGNUSON. Mr. President, I desire to have printed at this point in the RECORD an explanation of the necessity for the amendment.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR MAGNUSON

Bill S. 906 contains a defect of language, of a technical nature, which could have serious consequences unless the language is corrected. It is not necessary to discuss the merits of the bill in order to illustrate this defect.

Beginning with line 10, page 1, of the bill, the following language appears: "* * * any common carrier, or freight forwarder, subject to part I, II, III, or IV of this act."

The words "or freight forwarder" are unnecessary, because freight forwarders, subject to part IV of the act, are common carriers. They were so declared by an act of Congress enacted in 1950, Public Law 881, 81st Congress.

To use the words "or freight forwarder," in addition to the words "any common carrier," has the effect, at least by implication, of distinguishing freight forwarders from common carriers. This might lead to the same administrative defects which caused Congress to clarify the status of freight forwarders as common carriers in 1950.

It is accordingly suggested that the words "or freight forwarder" be stricken from the bill.

The precedent for such action is found in H. R. 116, passed by the Senate on May 18, 1954. The words "or freight forwarder" were stricken from that bill for the reason stated.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Washington [Mr. MAGNUSON].

The amendment was agreed to.

Mr. SMATHERS. Mr. President, I offer an amendment, which I ask to have read.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Florida.

The LEGISLATIVE CLERK. On page 2, line 10, after the word "days", in the committee amendment, it is proposed to insert a comma and "or 2 years in the case of contracts entered into during a national emergency declared by Congress."

Mr. MORSE. Mr. President, may we have an explanation with respect to the effect of the amendment?

Mr. SMATHERS. I think the language of the amendment is necessary to protect the Federal Government. Under the bill, whenever a carrier has entered into a contract with the Federal Government, the Federal Government cannot

thereafter ask for a renegotiation of the contract. The contract will be final.

I believe that in times of emergency, particularly when the emergency has been declared by Congress, and the Federal Government has entered into a contract with a carrier, the Government should have the right, within 2 years, to have the contract reexamined and renegotiated, if it appears that the contract which had been made was improper in any respect. For that reason, I have offered the amendment.

Mr. SCHOEPEL. Mr. President, will the Senator yield for a question?

Mr. SMATHERS. I am happy to yield.

Mr. SCHOEPEL. Will the Senator kindly explain what is meant by the "2 years"? From what specific date or act?

Mr. SMATHERS. Two years from the date on which a contract has been entered into between a carrier and the Federal Government. In other words, it is the same provision as that which is contained in contracts between ordinary shippers and carriers. They have 2 years in which to reexamine and renegotiate, if they so desire.

Mr. SCHOEPEL. Is it the proposal of the Senator from Florida to limit the provision only to periods of war?

Mr. SMATHERS. It is proposed to limit the provision to periods which Congress has declared to be emergencies. It would not include a time which the President has declared to be an emergency, but only a period which Congress has declared to be an emergency. At such a time I believe it can be presumed there may be great confusion. The Federal Government, for example, would be seeking to transport troops and ammunition under contracts made quickly with carriers.

Therefore, by virtue of the contracts having been made during an emergency, there should be a period of 2 years in which the Government could renegotiate contracts with carriers, if that should be desired. The amendment is designed simply to protect the Federal Government.

Mr. SCHOEPEL. As the distinguished Senator from Florida knows, bills similar to this have been before Congress many times, seeking to do what the bill now before the Senate proposes to accomplish. There has been a feeling that Congress might find itself confronted with the same situation as now confronts us.

Mr. SMATHERS. I agree with the general purposes of the bill. As the Senator knows, we discussed in the committee the question of an amendment similar to this.

Mr. SCHOEPEL. That is correct.

Mr. SMATHERS. I do not believe there should be a recurrence of the situation which exists today, under which, some 12 years after a contract has been entered into, the Government is still enabled to renegotiate contracts, and the carriers, whether they be the Pennsylvania Railroad or any other carrier, do not know actually how they stand. The carriers do not know what the Government finally will pay them. I think that condition should be rectified.

On the other hand, I believe that in times of national emergency, when great confusion exists incident to the emergency, Congress should provide that whenever the Government enters into a contract, for whatever the contract may be for, the Government will have to pay the bill within a reasonable time.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. MORSE. Let us consider the amendment in terms of a hypothetical situation. That will help me to understand it.

Let us suppose that Congress passes the bill with the Senator's amendment. Let us then suppose that on September 1, 1954, the Federal Government enters into a contract with a carrier. Let us assume further that on November 1, 1954, the Nation finds itself involved in a great national emergency or a war declared by Congress. As a result, the Government floods the carrier with business beyond all anticipation, so far as the contract is concerned.

The Senator from Florida says, as I understand him, that the Government should be allowed to renegotiate the contract, with respect to the business which now accrues to the carrier, as a result of the emergency, because, if that is not done, the carrier might make exorbitant profits at the expense of the taxpayers, which it could not possibly accept in the normal operations of the trade of the country.

Mr. SMATHERS. That is correct. The Senator from Oregon understands the purpose of the amendment correctly. I agree that there should be a reasonable limitation. That is why I have made it 2 years. I do not believe negotiations should be carried on for 10 or 12 years. I think the Government should renegotiate with carriers, as is being done today, but I believe there should be a reasonable period of time in which the Government should be permitted to reexamine its contracts which have been made in times of national emergency declared by Congress.

Mr. SCHOEPEL. I agree that the Senator from Florida has made a very valid point. The inclusion of a 2-year limitation would certainly give protection, and should prevent some of the disastrous results and unbusinesslike approaches which have occurred when 10 or 12 years have elapsed before contracts have been renegotiated, causing untold expense.

Mr. SMATHERS. I hope the Senator from Kansas will be willing to accept my amendment.

Mr. SCHOEPEL. I am glad to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Florida [Mr. SMATHERS].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

with the approval of the Senate, to make the unfinished business Calendar 1639, Senate bill 2759, to amend the Vocational Rehabilitation Act so as to promote and assist in the extension and improvement of vocational rehabilitation services, and for other purposes. That will then be the unfinished business when the Senate convenes tomorrow at noon.

When that bill has been disposed of, it is then expected to move to take up Calendar 1634, House bill 5173, relating to the establishment and maintenance of a \$200 million reserve in the Federal Unemployment Account, which has been reported from the Committee on Finance. At the request of a number of Senators, the bill has been held over until this week, and several Senators have asked that it not be taken up prior to Wednesday.

It is also planned to take up Calendar 1637, Senate bill 3589, to provide for the independent management of the Export-Import Bank of Washington.

There are a number of other bills as to which prior notice has been given, which it is proposed to consider, although not necessarily in the order in which I have given them, except for two. One of them is Calendar 1656, Senate bill 3546, to provide for an immediate program for the modernization and improvement of such merchant-type vessels in the reserve fleet as are necessary for national defense.

Another is Calendar 1665, Senate bill 3681, to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

It is also proposed to take up sometime this week, but probably not before Thursday, Calendar 1710, Senate bill 3690, to amend the Atomic Energy Act of 1946, as amended, and for other purposes; also Calendar 1719, H. R. 9242, to authorize certain construction at military and naval installations and for the Alaska Communications System and for other purposes.

Furthermore, there are several other bills as to which prior notice has been given: Calendar 1615, H. R. 2763, to amend the Tariff Act of 1930 so as to modify the duty on the importation of wood dowels, and for other purposes; Calendar 1620, Senate bill 3344, to amend the mineral leasing laws and the mining laws for multiple mineral development of the same tracts for the public lands, and for other purposes; Calendar 1621, Senate bill 2380, to amend section 17 of the Mineral Leasing Act of February 25, 1920, as amended; and Calendar 1622, Senate bill 2381, to amend section 27 of the Mineral Leasing Act of February 25, 1920, as amended, in order to promote the development of oil and gas on the public domain.

Parenthetically, I may say that, along with the two bills I have mentioned, which will be taken up today, when the speech of the Senator from Alabama is completed, I had intended to include one bill, Calendar 1632, H. R. 9232, as to which prior notice has been given. This bill is the same as Calendar 1549, Senate bill 3243. It is the Senate companion bill to the House bill.

I think, Mr. President, that this program will pretty well occupy the remainder of the week. Following the meeting of the majority policy committee tomorrow, I expect to make additional announcements to the Senate, after I have had an opportunity to confer with the minority leader. But in conformity with the policy of keeping the Senate as fully advised as possible, as far in advance as possible, I desired to make this announcement.

I wish to thank the distinguished Senator from Alabama for permitting me to make the announcement at this time.

Mr. WILLIAMS. Mr. President, will the Senator yield?

Mr. KNOWLAND. I yield.

Mr. WILLIAMS. Did I correctly understand the Senator from California to say that he intended to call up Calendar 1659, Senate Joint Resolution 161, this afternoon?

Mr. KNOWLAND. That is correct.

Mr. WILLIAMS. I had understood that it would go over until tomorrow, in order to permit certain information to be received from the Maritime Commission.

Mr. KNOWLAND. As I told the Senator when he spoke to me, we had agreed that Calendar No. 1656, Senate bill 3546, to provide an immediate program for the modernization and improvement of such merchant-type vessels in the reserve fleet as are necessary for national defense, should go over until tomorrow.

I had expressed the hope that the questions which the Senator from Delaware had about Calendar No. 1659, Senate Joint Resolution 161, to authorize the Secretary of Commerce to sell certain war-built passenger-cargo vessels, and for other purposes, might be answered by the Senator from Maryland.

Mr. WILLIAMS. I have no objection to that, if I can obtain answers to certain questions which have been raised, but I had been given to understand the information could not be obtained until at least some time tomorrow.

Mr. KNOWLAND. I hope that while the Senator from Alabama is making his statement perhaps the Senator from Maryland may be able to secure the information from the maritime authorities so that the question raised by the Senator from Delaware can be answered. The other bill, however, will go over until Wednesday.

So that Senators may have as much advance information on conference reports as possible, certainly on the more important reports, I call to the attention of the acting minority leader [Mr. GORE] that probably on either tomorrow afternoon or Thursday the conference report on H. R. 6342, which is the lease-purchase bill, may be taken up. I do not know how soon the conferees may report on the housing bill, but I hope it will be before the end of the week. If so, I trust the Senate will proceed to consider the report before the end of the week.

THE PERVERSION OF AEC FOR THE DESTRUCTION OF TVA

Mr. HILL. Mr. President, on Thursday, the 17th of June, after 5 months of

waiting, the meaning of the President's budget message with respect to TVA became crystal clear. It was revealed in the course of a hearing before the Joint Committee on Atomic Energy, with the reading of a communication from the Director of the Budget, disclosing that the President of the United States had directed the Atomic Energy Commission to enter into a contract with a private-utility combine to build a power-plant in Arkansas to supply the electricity requirements, not of the AEC, but of the TVA power consumers of Memphis, Tenn.

This astonishing proposal has been developed as a consequence of a suggestion in the President's message. All of us recall that no money was requested in the budget to provide new generating capacity on the TVA power system. As an alternative, the message stated that "arrangements are being made to reduce, by the fall of 1957, existing commitments" of the TVA to AEC by 500,000 to 600,000 kilowatts. The plan, as it was generally understood, was for AEC to find a private supplier to take over a portion of the TVA commitment to the AEC at Paducah, Ky., a commitment which now totals 1,205,000 kilowatts, so as to permit TVA to use that much of the capacity of its Shawnee plant at Paducah as a substitute for the new capacity TVA would otherwise require to meet the estimated power load in 1957. It was understood that if satisfactory arrangements for such an additional power supply were not developed, a request for supplemental funds would be submitted at this session of the Congress in time to permit TVA to begin construction of new capacity.

In the same budget message the Congress and the public were advised that the decision that TVA should not begin to build new capacity in fiscal year 1955 was contingent not only upon the success of these arrangements to find another power supplier for AEC at Paducah but also upon the assumption that there would be no increase in the total national-defense demands on the TVA power system. If either assumption proved to be incorrect, it was understood that a request for funds for TVA to start construction of new power capacity would be forthcoming.

The people of the TVA region, the friends of TVA in Congress, responsible opinion everywhere assumed the message was submitted with some understanding of the problems and in good faith. We waited to be advised of the results of the explorations AEC was reported to be making. Some time ago we understood that new defense power requirements had already developed in this critical defense area, specifically that the Oak Ridge facilities of AEC had given notice that more power would be needed prior to 1957. We waited through February, March, through April and through May to discover what the administration would recommend.

When the appropriation bill for the TVA was pending before the Committee on Appropriations, particularly before the subcommittee considering the Independent Offices bill, we hoped to hear

from AEC about the result of its negotiations. Time after time the hearings were postponed. I shall not take the time to review the history of evasion and delay which characterized the hearings.

Until the morning of June 17, when the Independent Offices appropriation bill carrying TVA appropriations was safely through both Houses and the conference report had been agreed to, the proposals made to AEC, the analyses reported to be under way, and the decisions reached were all something of a mystery. But on that morning, in testimony before the Joint Committee on Atomic Energy, the administration's answer became clear.

Neither of the alternatives set forth in the budget message to Congress had been pursued. TVA is not released from supplying a single kilowatt to the AEC. No new capacity is added to the TVA power system. Those were the stated alternatives. New defense requirements have admittedly developed but no new capacity is requested to meet them, although that was a stated condition. Instead, the President has directed AEC to negotiate a preposterous arrangement under which the power to be generated at a site to be selected by the Dixon-Yates private utility combine is to be purchased by AEC, not for its own use but to be fed into the TVA system and resold to TVA consumers.

The site which the Dixon-Yates utility combine is supposed to have in mind is more than 200 miles from Paducah or the nearest AEC installation.

The people of the city of Memphis, by order of the President, are to be forced to rely for power upon the performance of the very utilities they rejected as their power suppliers years ago by a vote of 16 to 1.

These are the same people, in the same city, to whom the President pleaded for votes in 1952, with the same promise that if he were elected "TVA will be operated and maintained at maximum efficiency."

According to the directive from the President, the terms of this contract are to be negotiated by AEC, the Nation's most highly sensitive and vital national defense agency, an agency above all others which should stand apart from, above, and beyond any controversies regarding domestic matters, an agency which should be left entirely free and protected to pursue its all-important, vital work of producing atomic energy.

Of course, the AEC has no responsibility and by no figment of the imagination could these be conjured up the notion that it has any responsibility in any way for the power supply of the Tennessee Valley, and no responsibility in any way for the Tennessee Valley region or the Tennessee Valley Authority. The only function of the AEC in the transaction appears to be to act as an instrumentality for those in the present administration who seem committed to a policy of destroying TVA regardless of the consequences to the area, regardless of the consequences to the Federal Treasury, to the taxpayers, to the national defense, and to the Government's reputation for probity and fair dealing.

As the AEC assumes the responsibility of a power broker in this fantastic arrangement, it will begin to drain millions of dollars directly from the Federal Treasury every year to be turned over as a subsidy, as a hand-out, to a favored private utility combine, a combine headed by the very men who have long been identified as leaders in the frenzied campaign directed by the private utility companies to bring about the destruction of TVA.

Mr. MORSE. Mr. President, will the Senator from Alabama yield?

Mr. HILL. I am very happy to yield to my distinguished friend from Oregon.

Mr. MORSE. Mr. President, I am very much pleased to hear the Senator from Alabama make the speech he is making because it is a speech that is so timely today.

I have a few questions to ask of the Senator, if he will permit me to do so.

Mr. HILL. I shall be glad to yield to the Senator for that purpose.

Mr. MORSE. I was greatly disturbed when I read of the President's action in regard to the matter of an agency contract. Somehow, some way, I got the idea that under our system of government the legislative process was a function of the Congress and not of the White House. But I have long since despaired that the administration would show very much understanding of the legislative process and the doctrine of the separation of powers, save and except when, because of the separation-of-powers principle, there is some proposed encroachment upon the Executive. Under this administration too frequently we find that those people at the White House, including the President himself, need to refresh their education in the whole field of the prerogatives of the Congress. I think that is true in connection with the AEC matter, because it looks very much as though the President seems to think that by way of Executive fiat he can proceed in such a way, by giving orders, concerning the contract which is to be entered into, as, in my judgment, really to undermine the whole TVA legislative program, which is one of the great acts of the Congress of the United States.

I wish to commend the Senator from Alabama, and I also wish to commend the Senator from North Dakota [Mr. LANGER] for the grand job he has been doing in recent days in connection with the investigation through a subcommittee of the Judiciary Committee of the whole question of the executive program in connection with AEC.

The question which I should like to put to the Senator from Alabama, among others, is this: Does the Senator share my fear that if we permit the White House to proceed as it has indicated in the press it is going to proceed in connection with the AEC contract program, it would amount to playing into the hands of monopolistic interests which seem to want to take over the control not only of atomic energy but of electric energy also?

Mr. HILL. I agree thoroughly with the Senator. If the President can be permitted to do this by Executive fiat, he can go the whole way and issue Execu-

tive orders every day, which would consummate what the Senator has suggested.

Mr. MORSE. And if the Congress should sit idly by and fail to exercise its prerogatives it would mean our becoming a rubber stamp for this administration.

Mr. HILL. That is correct. The Congress would be in default, under the Constitution, if it failed to exercise its powers and to stand up and fight and battle for those powers. It would mean government by Executive fiat, and then the great genius of the Constitution, the check-and-balance system, would be gone.

Mr. MORSE. Does the Senator agree with me that if the President were allowed to continue with the course of action he has proposed in connection with this contract in relation to the AEC it would serve as a precedent for a similar contract with respect to electric power?

Mr. HILL. I agree with the Senator from Oregon completely.

Mr. MORSE. Does the Senator fear that such a precedent might result in a gradual—and, I suspect, not too gradual—return of power development in the Tennessee Valley to private utilities rather than under the great public-power program of the TVA?

Mr. HILL. I say to my distinguished friend from Oregon that I cannot but firmly believe that this is the first step to that very end. It is the first step toward bringing about the destruction of the Tennessee Valley Authority.

Mr. MORSE. Does the Senator further agree with me that the proposal of the President to proceed by way of this singular, and, may I say, very peculiar contract, which he proposes in connection with the development of AEC power by private industry, would weaken the case which needs to be made by the Congress for a requirement that, to the extent private industry is brought into the development of AEC power, it should be required to pay for the great cost to which the taxpayers of the country have been put in the development of the power program in the first place?

Mr. HILL. What the Senator from Oregon is saying is that we should not have another "giveaway" of the great heritage of the people's resources.

Mr. MORSE. This is more than a "giveaway," in my judgment. This is a surrender, it seems to me, of the people's heritage in a great power resource for which the taxpayers of the Nation have already spent a great many billion dollars. I happen to be one Senator who does not propose to sit here in silence when the President of the United States, by what I consider to be a very interesting approach by way of indirection, seeks to have private utilities make a grab bag out of the people's wealth in the whole field of atomic energy.

Mr. HILL. I thoroughly commend the Senator, and I wish to thank him for the very timely and valuable contribution he has made.

Mr. GORE. Mr. President, does the distinguished senior Senator from Alabama see in this performance implications for the future efficient, impartial operation of the Atomic Energy Commis-



Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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For actions of July 8, 1954

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OFFICE OF BUDGET AND FINANCE
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HIGHLIGHTS: Senate committee made decisions on farm program bill. Senate agreed to conference report on buildings lease-purchase bill. Senate passed life insurance bill for Federal employees. Senate committee reported bill authorizing cooperation with Mexico and Canada on control of insects and plant diseases. House concurred in Senate amendments to bill to regulate pesticide chemicals. House passed bill extending unemployment compensation to Federal employees. House passed bill allowing travel expenses from posts outside continental U. S. House committee reported bills to authorize additional contract research, approve southeastern forest fire compact, and authorize banks for cooperatives to issue consolidated debentures. House committee ordered reported bill to approve south central forest fire compact.

SENATE

1. FARM PROGRAM. The "Daily Digest" states: "Committee on Agriculture and Forestry ...continued its executive consideration of S. 3052, to encourage a stable, prosperous, and free agriculture, following which it announced that it had agreed:

"(1) By a vote of 10 to 5, to retain set-aside provisions of the bill with 2 minor amendments;

"(2) To a provision to prevent the drop of more than 5 percent each year in the parity prices of wheat, cotton, corn, and peanuts during the transition to modernized parity formula beginning in 1956;

"(3) By a vote of 8 to 7, to a motion to make the price-support level of oats, rye, barley, and grain sorghums in 1955 and 1956 equal to that of corn based on their feed value relationship;

"(4) To a provision transferring agricultural attaches to the Department of Agriculture;

"(5) To a provision authorizing the Secretary of Agriculture to control the use of diverted acreage;

"(6) To repeal marketing quotas for corn;

"(7) To include grapefruit, cling peaches, and pears for canning and processing under marketing agreements and orders;

"(8) To extend the agricultural conservation payment program for 2 more

years on a national basis;

"(9) To a provision that whenever tomatoes, avocados, limes, and grapefruit are regulated by marketing orders, imports of such commodities must comply with grade, size, quality, and maturity provisions of such order; and

"(10) To increase allowance for carryovers of corn in computing normal supply from 10 to 15 percent of domestic consumption and exports — and from 15 to 20 percent in the case of wheat." (p. D794.)

2. BUILDINGS. Agreed to the conference report on H. R. 6342, to authorize GSA to acquire real property and to provide for the construction of Federal buildings thereon by executing purchase contracts (pp. 9577-81). This bill will now be sent to the President.
3. EMPLOYEES' LIFE INSURANCE. Passed without amendment S. 3681, providing for life insurance for Federal employees (pp. 9599-602). The committee report summarizes the provisions of the bill as follows:

"The group insurance program authorized by the bill would cover nearly all civilian employees of the executive, legislative, and judicial branches... The Commission could, by regulation, and after consultation with agency heads, exclude persons whose coverage would be administratively impracticable. Non-citizen employees with permanent duty station outside a State or the District Columbia, and employees of certain corporations under the supervision of the Farm Credit Administration, would be excluded from coverage. Each eligible employee would be automatically covered unless he elects to the contrary.

"Each covered employee would be insured for a sum equal to his annual compensation raised to the next higher multiple of \$1,000, with a maximum of \$20,000 in any case. Double indemnity and dismemberment insurance also attaches. The amount of insurance would be reduced by 2 percent a month after the individual attains age 65, subject to a maximum reduction of 75 percent.

"As his share of premium cost for all three types of insurance, there will be withheld from the employee's salary an amount not exceeding 25 cents biweekly for each 1,000 of life insurance. The Government will contribute an amount not exceeding one-half the sum withheld from the employee. Payment of premiums would end at age 65, or earlier if the employee retires for disability or retires for other reason after at least 15 years' civilian service. Otherwise, separation from service would terminate the insurance, subject to a right of the employee to convert the insurance to an individual policy of life insurance under conditions approved by the Commission."
4. INSECTS; PLANT DISEASES. The Agriculture and Forestry Committee reported without amendment S. 3697, to amend the act of April 6, 1937, to authorize cooperation with Canada or Mexico or local Canadian or Mexican authorities for the control of incipient or emergency outbreaks of insect pests and plant diseases (S. Rept. 1756)(p. 9548).
5. EXPORT-IMPORT BANK. Passed without amendment S. 3589, to provide for the independent management of the Export-Import Bank under a Board of Directors, to provide for representation of the bank on the National Advisory Council on International Monetary and Financial Problems, and to increase the bank's lending authority (pp. 9558, 9574-7).
6. RECLAMATION. The Interior and Insular Affairs Committee reported with amendments S. 964, to authorize the Fryingpan-Arkansas project, Colo. (S. Rept. 1754)(p. 9548).
7. PUBLIC LANDS; MINERALS. Passed as reported the following bills:

S. 3344, to provide for multiple mineral development, under the mineral

have a chance to recovering his expenditure.

Mr. SMATHERS. Did the committee give any consideration to whether such an amendment might result in a concentration of oil leases in the hands of only a few big concerns, or in the hands of 2 or 3 individuals?

Mr. BARRETT. I may say to the distinguished Senator from Florida that that question was considered very carefully by the committee. I should like to give the Senator some figures on that point. In the State of Wyoming, the Federal Government owns outright 32 million acres. In addition, it owns the minerals under at least 10 million more acres. Considering only the relationship between the 32 million acres and the 62 million acres, which comprise the area of Wyoming, I should like to give the Senator another figure.

A single individual or company, if either could get a lease for the maximum acreage under the bill, would have only 0.0015 of 1 percent of the public land area of Wyoming.

Therefore the Senator can see how infinitesimal it is.

I should like to give the Senator some other figures. At the present time, we have production on about only 3 percent of the Federal land. About 300 million acres of public land are in the Western States. Less than 5 percent of our total production comes from Federal lands.

If the Senator wishes, I can show him that the leases and the options that could be granted under the pending bill would take only an infinitesimal portion of the area of any of the Western States.

Mr. SMATHERS. I thank the Senator. The Senator himself is satisfied, then, that the amendment would not result in a monopoly or in any kind of concentration of oil rights and mineral rights in the hands of 1 or 2 individuals or 1 or 2 corporations. The Senator is satisfied that that will not be the case?

Mr. BARRETT. I am satisfied that that will not be the case. I may say that the Assistant Secretary of the In-

terior, Mr. Orme Lewis, testified that that would not be the case.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. BARRETT. I am glad to yield to the distinguished Senator from New Mexico.

Mr. ANDERSON. Is it not true that in the Western States there are large areas of State-owned lands on which there is no restriction whatever?

Mr. BARRETT. That is correct.

Mr. ANDERSON. They have found no difficulty because of that fact.

Mr. BARRETT. That is correct.

I ask unanimous consent to have printed in the RECORD at this point in my remarks a computation showing the effect of the proposed legislation with reference to the percentages that might be held by any one operator in any one State.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

State	Present law: 1 operator may hold under lease—		New bill: 1 operator may hold—		Present law: 1 operator may hold under option—		New bill: 1 operator may hold—	
Colorado.....	0.0006	6/10,000 of 1 percent.....	0.0018	1.8/1,000 of 1 percent.....	0.0040	4/1,000 of 1 percent.....	0.0080	8/1,000 of 1 percent.....
Wyoming.....	.0005	5/10,000 of 1 percent.....	.0015	1.5/1,000 of 1 percent.....	.0031	3.1/1,000 of 1 percent.....	.0062	6.2/1,000 of 1 percent.....
Montana.....	.0004	4/10,000 of 1 percent.....	.0012	1.2/1,000 of 1 percent.....	.0029	2.9/1,000 of 1 percent.....	.0058	5.8/1,000 of 1 percent.....
Idaho.....	.0004	4/10,000 of 1 percent.....	.0012	1.2/1,000 of 1 percent.....	.0029	2.9/1,000 of 1 percent.....	.0058	5.8/1,000 of 1 percent.....
Utah.....	.0004	4/10,000 of 1 percent.....	.0012	1.2/1,000 of 1 percent.....	.0027	2.7/1,000 of 1 percent.....	.0054	5.4/1,000 of 1 percent.....
Nevada.....	.00025	2.5/10,000 of 1 percent.....	.00075	7.5/10,000 of 1 percent.....	.0017	1.7/1,000 of 1 percent.....	.0034	3.4/1,000 of 1 percent.....
Total.....	.00006	6/100,000 of 1 percent.....	.00018	1.8/10,000 of 1 percent.....	.00044	4.4/10,000 of 1 percent.....	.00088	8.8/10,000 of 1 percent.....

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

COMMISSION ON AREA PROBLEMS OF THE GREATER WASHINGTON METROPOLITAN AREA

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing its disagreement to the amendments of the Senate to the bill (H. R. 2236) for the establishment of a Commission on Area Problems of the Great Washington Metropolitan Area, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. SCHOEPPEL. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. SCHOEPPEL, Mr. BUTLER, and Mr. JOHNSON of Colorado conferees on the part of the Senate.

LEAVE OF ABSENCE

On his own request, and by unanimous consent, Mr. HOLLAND was excused from attendance on the sessions of the Senate for the remainder of this week and until Wednesday night of next week.

GROUP LIFE INSURANCE FOR CIVILIAN OFFICERS AND EMPLOYEES IN THE FEDERAL SERVICE

Mr. CARLSON. Mr. President, I move that the Senate proceed to consider the bill (S. 3681) to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

The PRESIDING OFFICER. The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (S. 3681) to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Kansas.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. CARLSON. Mr. President, before I begin my remarks, I ask unanimous consent—and I have discussed this matter with the majority leader and the minority leader—that Mr. Warren B. Irons, a member of the staff of the Civil Service Commission, be given the privilege of the floor during the consideration of this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CARLSON. Mr. President, the Senate has now proceeded to consider S. 3681 to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service. As chairman

of the Post Office and Civil Service Committee, charged with consideration of this bill, I wish to outline its principal provisions and discuss briefly the plan and necessity therefor.

This important proposal results from studies by a subcommittee of the Cabinet, formed last winter to explore how the administration could best provide the necessary elements of a well-rounded personnel program for the Federal service. Last February, President Eisenhower included group life insurance in a statement of the administration's legislative program for Federal personnel management.

Briefly, the group insurance program authorized by the bill would cover nearly all civilian employees in the executive, legislative, and judicial branches of the United States Government, including Members of Congress, Federal judges, and employees of the District of Columbia Government. The Commission could, by regulation, exclude persons whose coverage would be administratively impracticable such as part-time or intermittent employees. Noncitizen employees with permanent duty station outside a State or the District of Columbia would be excluded from coverage.

Each eligible employee, without medical examination, would be automatically covered unless he elects to the contrary. Therefore, participation in the plan would be entirely voluntary.

Each covered employee would be insured for a sum equal to his annual compensation raised to the next higher multiple of \$1,000, with a maximum of

\$20,000 in any case. Double indemnity in event of accidental death, and dismemberment insurance would also be provided. The amount of insurance would be reduced by 2 percent a month after the individual attains age 65, subject to a maximum reduction of 75 percent.

As his share of premium cost, there would be withheld from the employee's salary an amount not exceeding 25 cents bi-weekly for each \$1,000 of life insurance. This rate would not fluctuate with the age of the employee. The Government would contribute from existing agency appropriations an amount not exceeding one-half the sum withheld from the employee. This premium cost and its distribution between the employee and the Government conforms to the usual practice in private industry.

Payment of premiums would end at age 65, or earlier if the employee retires for disability or retires for other reason after at least 15 years' civilian service. Otherwise, separation from service would terminate the group insurance protection. At separation, however, the individual would be able, without medical examination, to purchase an individual policy at a rate applicable to his attained age. This particular feature is of real importance to the officer or employee who could not otherwise obtain insurance at regular rates because of his physical condition.

Payment of the insurance upon death would be made in the same order of precedence as now provided for lump-sum death payments in the Civil Service Retirement Act and the Federal Employees Leave Act.

The Commission would purchase from one or more companies meeting specified qualifications a policy or policies to provide the insurance benefits. These companies would establish a single administrative office to assure the utmost economy in the operation of the plan. Such companies would be required to reinsure portions of the total insurance, in accordance with a stated formula, with such other companies which elect to participate. Thus there would be nationwide company participation in a fair and equitable manner.

The Commission would determine the premium rates to be charged by insurance companies on a basis consistent with the lowest rates charged large employers for group life and accidental death and dismemberment insurance. Adjustment of rates would be made as experience requires. Companies would be required to make annual reports accounting for all income and expenses under the policies.

A special fund would be set up in the Treasury in which would be deposited employee and Government contributions. The fund would be available for premium payments to the insurance companies and for administrative expenses. I am assured and believe that the total administrative cost would not exceed 2 percent of the total premiums and that no additional appropriation would be necessary for administrative expense.

The Commission would act to protect the rights of separated or retired em-

ployees now insured through nonprofit associations of Federal employees, provided the insurance was granted prior to January 1, 1954, and the association terminates all its life insurance agreements and turns over assets sufficient, if possible, to cover the liabilities involved.

The bill creates an Advisory Council on Group Insurance consisting of the Secretaries of the Treasury and Labor and the Director of the Bureau of the Budget to review the program and advise the Commission on policy matters. A committee of five insured employees would be appointed by the Commission to advise regarding matters of concern from the viewpoint of the employees.

The Commission would be required to report annually to the Congress on all phases of the operations.

The Commission would establish an effective date for the insurance and contributions.

I feel that enactment of this proposal will establish a most worthwhile improvement in the Federal personnel program. It will increase the employee's sense of family security, and provide an inducement to continue service. On the other hand, many real advantages will accrue to the Government in the form of increased employee productivity and decrease in wasteful turnover.

Passage of this bill would adapt to the use of the Government an administrative practice which has proven its value in progressive private business.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That this act may be cited as the "Federal Employees' Group Life Insurance Act of 1954."

SEC. 2. (a) Except as provided in (b) of this section, each appointive or elective officer or employee (hereinafter called employee) in or under the executive, judicial, or legislative branch of the United States Government, including a Government owned or controlled corporation (but not including any corporation under the supervision of the Farm Credit Administration of which corporation any member of the board of directors is elected or appointed by private interests), and of the municipal government of the District of Columbia shall, at such time and under such conditions of eligibility as the Civil Service Commission (hereinafter called the Commission) may by regulation prescribe, come within the purview of this act. Such regulations may provide for the exclusion of employees on the basis of the nature and type of employment or conditions pertaining thereto such as, but not limited to, short-term appointments, seasonal or intermittent employment, part-time employment, and employment of like nature, and shall be issued only after consultation with the head of the department, establishment, agency, or other employing authority concerned: *Provided*, That no employee or group of employees shall be excluded solely on the basis of the hazardous nature of employment.

(b) This act shall not apply to noncitizen employees whose permanent duty station is located outside a State of the United States or the District of Columbia, nor shall it apply to commissioned officers and enlisted personnel on active duty in or with the Army,

Navy, Air Force, Marine Corps, or Coast Guard of the United States, who have indemnity coverage under the Servicemen's Indemnity Act of 1951 (65 Stat. 33).

SEC. 3. (a) Each employee to whom this act applies shall be eligible to be insured for an amount of group life insurance approximating his annual compensation not exceeding \$20,000 plus an equal amount of group accidental death and dismemberment insurance, in accordance with the following schedule:

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death and dismemberment insurance shall be—
Greater than	But not greater than		
0	\$1,000	\$1,000	\$1,000
\$1,000	2,000	2,000	2,000
2,000	3,000	3,000	3,000
3,000	4,000	4,000	4,000
4,000	5,000	5,000	5,000
5,000	6,000	6,000	6,000
6,000	7,000	7,000	7,000
7,000	8,000	8,000	8,000
8,000	9,000	9,000	9,000
9,000	10,000	10,000	10,000
10,000	11,000	11,000	11,000
11,000	12,000	12,000	12,000
12,000	13,000	13,000	13,000
13,000	14,000	14,000	14,000
14,000	15,000	15,000	15,000
15,000	16,000	16,000	16,000
16,000	17,000	17,000	17,000
17,000	18,000	18,000	18,000
18,000	19,000	19,000	19,000
19,000	-----	20,000	20,000

(b) Subject to the conditions and limitations of the policy or policies purchased by the Commission under this act, as may be approved by the Commission, the group accidental death and dismemberment insurance shall provide payments as follows:

Loss	Amount payable
For loss of life.	Full amount shown in the schedule in (a) of this section.
Loss of one hand or one foot or loss of sight of one eye.	One-half the amount shown in the schedule in (a) of this section.
Loss of two or more such members.	Full amount shown in the schedule in (a) of this section.

For any accident the aggregate amount of group accidental death and dismemberment insurance that may be paid shall not exceed the amount shown in the schedule in (a) of this section.

(c) The Commission shall by regulation provide for the conversion of other than annual rates of compensation to an annual basis, and shall further specify the types of compensation to be included in annual compensation.

(d) Each of such amounts of insurance shall be reduced by 2 percent thereof at the end of each full calendar month following the date the employee attains age 65, subject to minimum amounts prescribed by the Commission, but not less than 25 percent of the insurance in force immediately preceding the first reduction provided herein: *Provided*, That the amounts of insurance in force from time to time on an employee who becomes insured under this act after having attained the age of 65 shall be the same as would be in force had he been insured at age 65, and shall be based on the lesser of his annual compensation (1) at the time he becomes so insured, or (2) at age 65, provided he was eligible at that time to be insured under this act.

SEC. 4. Any amount of group life insurance and group accidental death insurance in force on any employee at the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or

persons surviving at the date of his death, in the following order of precedence:

First, to the beneficiary or beneficiaries as the employee may have designated by a writing received in the employing office prior to death;

Second, if there be no such beneficiary, to the widow or widower of such employee;

Third, if none of the above, to the child or children of such employee and descendants of deceased children by representation;

Fourth, if none of the above, to the parents of such employee or the survivor of them;

Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such employee;

Sixth, if none of the above, to other next of kin of such employee entitled under the laws of domicile of such employee at the time of his death.

If any person otherwise entitled to payment under this section does not make claim therefor within 1 year after the death of the employee, or if payment to such person within that period is prohibited by Federal statute or regulation, payment may be made in the order of precedence as if such person had predeceased the employee, and any such payment shall be a bar to recovery by any other person.

SEC. 5. (a) During any period in which an employee under age 65 is insured under a policy of insurance purchased by the Commission as authorized in section 7 of this act, there shall be withheld from each salary payment of such employee, as his share of the cost of his group life and accidental death and dismemberment insurance, an amount determined by the Commission, but not to exceed the rate of 25 cents biweekly for each \$1,000 of his group life insurance: *Provided*, That an employee who is paid on other than a biweekly basis shall have an amount so withheld, determined at a proportionate rate, which rate shall be adjusted to the nearest cent.

Any policy of insurance purchased by the Commission as authorized in section 7 of this act shall provide that all employees eligible under the terms of this act will be automatically insured thereunder commencing on the date they first become so eligible: *Provided*, That any employee desiring not to be so insured shall, on an appropriate form to be prescribed by the Commission, give written notice to his employing office that he desires not to be insured. If such notice is received before the employee shall have become insured under such policy, he shall not be so insured; if it is received after he shall have become insured, his insurance under the policy will cease effective with the end of the pay period during which the notice is received by the employing office.

(b) For each period in which an employee is insured under a policy of insurance purchased by the Commission as authorized in section 7 of this act, there shall be contributed from the respective appropriation or fund which is used for payment of his salary, wage, or other compensation (or, in the case of an elected official, from such appropriation or fund as may be available for payment of other salaries of the same office or establishment) a sum computed at a rate determined by the Commission, but not to exceed one-half the amount withheld from the employee under this section.

(c) The sums withheld from employees under subsection (a) and the sums contributed from appropriations and funds under subsection (b) shall be deposited in the Treasury of the United States to the credit of a fund which is hereby created. Said fund is hereby made available without fiscal-year limitation for premium payments under any insurance policy or policies purchased as authorized in sections 7 and 10 of this act, and for any expenses incurred by the Commission in the administration

of this act within such limitations as may be specified annually in appropriation acts: *Provided*, That appropriations available to the Commission for salaries and expenses for the fiscal year 1955 shall be available on a reimbursable basis for necessary administrative expenses of carrying out the purposes of this act until said fund shall be sufficient to provide therefor. The income derived from any dividends or premium rate adjustments received from insurers shall constitute a part of said fund.

SEC. 6. Each policy purchased under this act shall contain a provision, in terms approved by the Commission, to the effect that any insurance thereunder on any employee shall cease upon his separation from the service or 12 months after discontinuance of his salary payments, whichever first occurs, subject to a provision which shall be contained in the policy for temporary extension of coverage and for conversion to an individual policy of life insurance under conditions approved by the Commission, except that if upon such date as the insurance would otherwise cease the employee (a) retires on an immediate annuity, and (b) unless retired for disability, has had 15 years of creditable civilian service, as determined by the Commission, his life insurance only may, under conditions determined by the Commission, be continued without cost to him in the amounts for which he would have been insured from time to time had his salary payments continued at the same rate as on the date of cessation.

SEC. 7. (a) The Commission is authorized, without regard to section 3709 of the Revised Statutes as amended, to purchase from one or more life insurance companies, as determined by it, a policy or policies of group life and accidental death and dismemberment insurance to provide the benefits specified in this act: *Provided*, That any such company must meet the following requirements: (1) Be licensed under the laws of 48 of the States of the United States and the District of Columbia to transact life and accidental death and dismemberment insurance, and (2) the amount of its employee group life insurance on the most recent December 31 for which information is available to the Commission shall on that date equal at least 1 percent of the total amount of employee group life insurance in the United States in all life insurance companies.

(b) The life insurance company or companies issuing such policy or policies shall establish an administrative office under a name to be approved by the Commission.

(c) The Commission shall arrange with the life insurance company or companies issuing any policy or policies purchased under this act to reinsure, under conditions approved by it, portions of the total amount of insurance under the policy or policies, determined as provided in subsection (d) of this section, with such other life insurance companies as may elect to participate in such reinsurance.

(d) The Commission shall determine a formula so that the amount of insurance in force to be retained by each issuing company after ceding reinsurance and the total amount of reinsurance ceded to each reinsuring company shall be in proportion to the total amount of each such company's group life insurance in force in the United States on December 31, 1953: *Provided*, That in determining such proportions, that portion of any company's group life insurance in force on December 31, 1953, which is in excess of \$100 million shall be reduced by 25 percent of the first \$100 million of such excess, 50 percent of the second \$100 million of such excess, 75 percent of the third \$100 million of such excess, and 95 percent of any excess thereafter: *Provided further*, That the amount retained by or ceded to any company shall not exceed 25 percent of the amount of that company's total life insurance in force

in the United States on December 31, 1953: *Provided further*, That if, at the end of one year following the date of enactment of this act, in the case of any issuing company or reinsurer which insured employees of the Federal Government on December 31, 1953, under policies issued to an association of Federal employees, the amount which results from the application of this formula is less than the decrease, if any, in the amount of such company's insurance under such policies, the amount allocated to such company shall, upon the first reallocation as provided in subsection (e) of this section, be increased to the amount of such decrease: *And provided further*, That any fraternal benefit association which is licensed under the laws of a State of the United States or the District of Columbia to transact life insurance and is engaged in issuing insurance certificates on the lives of employees of the Federal Government exclusively shall be eligible to act as a reinsuring company and may be allocated an amount of reinsurance equal to 25 percent of its total life insurance in force on employees of the Federal Government on December 31, 1953.

(e) The companies eligible to participate as reinsurers, and the amount of insurance under the policy or policies to be allocated to each issuing company or reinsurer may be redetermined by the Commission for and in advance of any policy year after the first, on a basis consistent with subsections (c) and (d) of this section, with any modifications thereof it deems appropriate to carry out the intent of such subsections, and based on each participating company's group life insurance in force, excluding that under any policy or policies purchased under this act except in the case of companies covered in the third proviso of subsection (d), in the United States on the most recent December 31 for which information is available to it, and shall be so redetermined in a similar manner not less often than every 3 years or at any time that any participating company withdraws from participation.

(f) The Commission may at any time discontinue any policy or policies it has purchased from any insurance company.

SEC. 8. (a) Each policy or policies purchased under this act shall include, for the first policy year, basic tables of premium rates as follows:

(1) For group life insurance, a schedule of basic premium rates by age which the Commission shall have determined on a basis consistent with the lowest schedule of basic premium rates generally charged for new group life insurance policies issued to large employers, this schedule of basic premium rates by age to be applied, except as otherwise provided in this section, to the distribution by age of the amounts of group life insurance under the policy at its date of issue to determine an average basic premium rate per \$1,000 of life insurance, and

(2) For group accidental death and dismemberment insurance, a basic premium rate which the Commission shall have determined on a basis consistent with the lowest rate generally charged for new group accidental death and dismemberment insurance policies issued to large employers.

Each policy so purchased shall also include provisions whereby the basic rates of premium determined for the first policy year shall be continued for subsequent policy years, except that they may be readjusted for any subsequent year, based on the experience under the policy, such readjustment to be made by the insurance company or companies issuing the policy on a basis determined by the Commission in advance of such year to be consistent with the general practice of life insurance companies under policies of group life and group accidental death and dismemberment insurance issued to large employers.

(b) Each policy so purchased shall include a provision that, in the event the Commission determines that ascertaining the actual age distribution of the amounts of group life insurance in force at the date of issue of the policy or at the end of the first or any subsequent year of insurance thereunder would not be possible except at a disproportionately high expense, it may approve the determination of a tentative average group life premium rate, for the first or any subsequent policy year, in lieu of using the actual age distribution. Such tentative average premium rate shall be redetermined by the Commission during any policy year upon request by the insurance company or companies issuing the policy, if experience indicates that the assumptions made in determining the tentative average premium rate for that policy year were incorrect.

(c) Each policy so purchased shall contain a provision stipulating the maximum expense and risk charges for the first policy year, which charges shall have been determined by the Commission on a basis consistent with the general level of such charges made by life insurance companies under policies of group life and accidental death and dismemberment insurance issued to large employers. Such maximum charges shall be continued from year to year, except that the Commission may redetermine such maximum charges for any year either by agreement with the insurance company or companies issuing the policy or upon written notice given by it to such companies at least 1 year in advance of the beginning of the year for which such redetermined maximum charges will be effective.

(d) Each such policy shall provide for an accounting to the Commission not later than 90 days after the end of each policy year, which shall set forth, in a form approved by the Commission, (1) the amounts of premiums actually accrued under the policy from its date of issue to the end of such policy year, (2) the total of all mortality and other claim charges incurred for that period, and (3) the amounts of the insurers' expense and risk charges for that period. Any excess of the total of item (1) over the sum of items (2) and (3) shall be held by the insurance company or companies issuing the policy as a special contingency reserve to be used by such insurance company or companies for charges under such policy only, such reserve to bear interest at a rate to be determined in advance of each policy year by the insurance company or companies issuing the policy, which rate shall be approved by the Commission as being consistent with the rates generally used by such company or companies for similar funds held under other group life insurance policies: *Provided*, That, if and when the Commission determines that such special contingency reserve has attained an amount estimated by it to make satisfactory provision for adverse fluctuations in future charges under the policy, any further such excess shall be deposited in the Treasury of the United States to the credit of the fund. If and when such policy is discontinued, and if after all charges have been made, there is any positive balance remaining in such special contingency reserve, such balance shall be deposited in the Treasury of the United States to the credit of the fund, subject to the right of the insurance company or companies issuing the policy to make such deposit in equal monthly installments over a period of not more than 2 years.

SEC. 9. The Commission shall arrange to have each employee insured under such policy receive a certificate setting forth the benefits to which the employee is entitled thereunder, to whom such benefits shall be payable, to whom claims should be submitted, and summarizing the provisions of the policy principally affecting the employee. Such certificate shall be in lieu of

the certificate which the insurance company or companies would otherwise be required to issue.

SEC. 10. (a) The Commission is authorized to arrange with any nonprofit association of Federal employees for the assumption by the fund of any existing life insurance agreements of such association with its members retired or otherwise separated from the Federal service and to insure the obligations assumed with any company or companies meeting the requirements of section 7 (a).

(b) Any such arrangement shall provide that payments by such insured members for life insurance only shall thereafter be made at the same rates to the fund, under such conditions as the Commission may prescribe.

(c) Any such arrangement shall further provide that there be transferred to and deposited in the fund the lesser of the following amounts:

(1) The total assets of the life insurance fund of such association; or

(2) The amount required to meet the liabilities under life insurance agreements assumed, taking into account the payments as provided in paragraph (b). The determination of this amount shall be based on an actuarial valuation satisfactory to the Commission, procured by the association without expense to the Commission.

(d) The arrangements authorized by this section shall be made only with those associations which terminate life insurance agreements with all of their members within 1 year after the date of enactment of this act, and such arrangements shall apply only to life insurance granted to any member by any such association before January 1, 1954.

(e) In any case in which the fund assumes a liability for life insurance as provided in this section in respect to a person who (1) subsequently becomes eligible to be insured as an employee under this act, and (2) does not give notice, as provided in section 5 (a), of his desire not to be so insured, the life insurance provided under this section shall terminate as of the date such person becomes insured as an employee.

SEC. 11. Except as otherwise provided herein, the Commission is hereby authorized to promulgate such regulations as may be necessary and proper to give effect to the intent, purposes, and provisions of this act.

SEC. 12. (a) There is hereby established an Advisory Council on Group Insurance consisting of the Secretary of the Treasury as Chairman, the Secretary of Labor, and the Director of the Bureau of the Budget, who shall serve without additional compensation. The Council shall meet once a year, or oftener at the call of the Commission, and shall review the operations of this act and advise the Commission on matters of policy relating to its activities thereunder.

(b) The Chairman of the Commission shall appoint a committee composed of five employees insured under this act, who shall serve without compensation, to advise the Commission regarding matters of concern to employees under this act.

SEC. 13. The Commission shall report annually to Congress upon the operation of this act.

SEC. 14. The district courts of the United States shall have original jurisdiction, concurrent with the Court of Claims, of any civil action or claim against the United States founded upon this act.

SEC. 15. The insurance provided by this act and the withholdings and contributions for that purpose shall become effective when directed by the Commission.

MODERNIZATION AND IMPROVEMENT OF CERTAIN MERCHANT-TYPE VESSELS

Mr. CARLSON. Mr. President, I move that the Senate proceed to the

consideration of Calendar No. 1656, Senate bill 3546, to provide an immediate program for the modernization and improvement of such merchant-type vessels in the reserve fleet as are necessary for national defense.

The PRESIDING OFFICER. The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (S. 3546) to provide an immediate program for the modernization and improvement of such merchant-type vessels in the reserve fleet as are necessary for national defense.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Kansas.

The motion was agreed to, and the Senate proceeded to consider the bill, which had been reported from the Committee on Interstate and Foreign Commerce with amendments.

Mr. BUTLER. Mr. President, S. 3546 is known as the emergency ship repair bill. I introduced it in cosponsorship with a number of other Senators, after 2 days of hearings, which were held for the purpose of ascertaining the extent of the plight of our shipyards. Companion bills were introduced promptly in the House of Representatives. I can assure Senators that, in my opinion, one of the most urgent needs in the maritime industry today is the passage of this bill.

The bill would authorize the Secretary of Commerce to enter into contracts with private shipyards on the Atlantic, Pacific, and gulf coasts, the Great Lakes, and other inland waterways, for the repair, modernization, and improvement of certain carefully selected strategic merchant vessels in the laid-up National Defense Reserve Fleet. The Maritime Administrator testified at our hearing that after consultation with the Department of Defense, he was sure that there were at least 205 vessels of a top-priority nature in our Reserve Fleet which would need at least \$45 million worth of repair before they could be put into active service.

Senators will notice in the bill that the Secretary of Commerce is authorized to enter into contracts on other than a competitive bid basis whenever such action is deemed by him to be necessary to carry out the purpose of this act. The reason for that provision, as our report makes clear, is that we believe that the Secretary of Commerce must be authorized to exercise a certain amount of discretion as to where the work will go, in order to protect the defense potential of those yards, upon which the Department of Defense is placing great reliance in its mobilization day planning. This is particularly important because of the fact that some of the reserve fleets are much closer to certain yards than to others on the same coast. The difference in towing charges from reserve fleet to bidding yard might well result in the yard nearest the fleet being able to get a disproportionate share of the available work unless the bill were worded as it is.

According to the Maritime Administrator, 92 of the ships in question are presently located in the reserve fleet on

83^D CONGRESS
2^D SESSION

S. 3681

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 1954

Referred to the Committee on Post Office and Civil Service

AN ACT

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Employees'
4 Group Life Insurance Act of 1954."

5 SEC. 2. (a) Except as provided in (b) of this section,
6 each appointive or elective officer or employee (hereinafter
7 called employee) in or under the executive, judicial, or legis-
8 lative branch of the United States Government, including
9 a Government owned or controlled corporation (but not in-

cluding any corporation under the supervision of the Farm
Credit Administration of which corporation any member of
the board of directors is elected or appointed by private in-
terests), and of the municipal government of the District of
Columbia shall, at such time and under such conditions of
eligibility as the Civil Service Commission (hereinafter
called the Commission) may by regulation prescribe, come
within the purview of this Act. Such regulations may pro-
vide for the exclusion of employees on the basis of the nature
and type of employment or conditions pertaining thereto
such as, but not limited to, short term appointments, seasonal
or intermittent employment, part-time employment, and
employment of like nature, and shall be issued only after
consultation with the head of the department, establishment,
agency, or other employing authority concerned: *Provided*,
That no employee or group of employees shall be excluded
solely on the basis of the hazardous nature of employment.

(b) This Act shall not apply to noncitizen employees
whose permanent duty station is located outside a State of
the United States or the District of Columbia, nor shall it
apply to commissioned officers and enlisted personnel on ac-
tive duty in or with the Army, Navy, Air Force, Marine
Corps, or Coast Guard of the United States, who have
indemnity coverage under the Servicemen's Indemnity Act
of 1951 (65 Stat. 33).

1 SEC. 3. (a) Each employee to whom this Act applies
2 shall be eligible to be insured for an amount of group life
3 insurance approximating his annual compensation not ex-
4 ceeding \$20,000 plus an equal amount of group accidental
5 death and dismemberment insurance, in accordance with the
6 following schedule:

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death and dismemberment insurance shall be—
Greater than	But not greater than		
0	\$1, 000	\$1, 000	\$1, 000
\$1, 000	2, 000	2, 000	2, 000
2, 000	3, 000	3, 000	3, 000
3, 000	4, 000	4, 000	4, 000
4, 000	5, 000	5, 000	5, 000
5, 000	6, 000	6, 000	6, 000
6, 000	7, 000	7, 000	7, 000
7, 000	8, 000	8, 000	8, 000
8, 000	9, 000	9, 000	9, 000
9, 000	10, 000	10, 000	10, 000
10, 000	11, 000	11, 000	11, 000
11, 000	12, 000	12, 000	12, 000
12, 000	13, 000	13, 000	13, 000
13, 000	14, 000	14, 000	14, 000
14, 000	15, 000	15, 000	15, 000
15, 000	16, 000	16, 000	16, 000
16, 000	17, 000	17, 000	17, 000
17, 000	18, 000	18, 000	18, 000
18, 000	19, 000	19, 000	19, 000
19, 000	-----	20, 000	20, 000

7 (b) Subject to the conditions and limitations of the
8 policy or policies purchased by the Commission under this
9 Act, as may be approved by the Commission, the group
10 accidental death and dismemberment insurance shall provide
11 payments as follows:

Loss	Amount payable
For loss of life.	Full amount shown in the schedule in (a) of this section.
Loss of one hand or of one foot or loss of sight of one eye.	One-half the amount shown in the schedule in (a) of this section.
Loss of two or more such members.	Full amount shown in the schedule in (a) of this section.

1 For any one accident the aggregate amount of group acci-
2 dental death and dismemberment insurance that may be paid
3 shall not exceed the amount shown in the schedule in (a)
4 of this section.

5 (c) The Commission shall by regulation provide for the
6 conversion of other than annual rates of compensation to an
7 annual basis, and shall further specify the types of compensa-
8 tion to be included in annual compensation.

9 (d) Each of such amounts of insurance shall be reduced
10 by 2 per centum thereof at the end of each full calendar
11 month following the date the employee attains age sixty-five,
12 subject to minimum amounts prescribed by the Commission,
13 but not less than 25 per centum of the insurance in force
14 immediately preceding the first reduction provided herein:
15 *Provided*, That the amounts of insurance in force from time
16 to time on an employee who becomes insured under this Act
17 after having attained the age of sixty-five shall be the same as
18 would be in force had he been insured at age sixty-five, and
19 shall be based on the lesser of his annual compensation (1)
20 at the time he becomes so insured, or (2) at age sixty-five,
21 provided he was eligible at that time to be insured under
22 this Act.

23 SEC. 4. Any amount of group life insurance and group
24 accidental death insurance in force on any employee at the
25 date of his death shall be paid, upon the establishment of a

1 valid claim therefor, to the person or persons surviving at the
2 date of his death, in the following order of precedence:

3 First, to the beneficiary or beneficiaries as the employee
4 may have designated by a writing received in the employing
5 office prior to death;

6 Second, if there be no such beneficiary, to the widow
7 or widower of such employee;

8 Third, if none of the above, to the child or children
9 of such employee and descendants of deceased children by
10 representation;

11 Fourth, if none of the above, to the parents of such em-
12 ployee or the survivor of them;

13 Fifth, if none of the above, to the duly appointed execu-
14 tor or administrator of the estate of such employee;

15 Sixth, if none of the above, to other next of kin of such
16 employee entitled under the laws of domicile of such em-
17 ployee at the time of his death.

18 If any person otherwise entitled to payment under this
19 section does not make claim therefor within one year after
20 the death of the employee, or if payment to such person
21 within that period is prohibited by Federal statute or regula-
22 tion, payment may be made in the order of precedence as
23 if such person had predeceased the employee, and any such
24 payment shall be a bar to recovery by any other person.

25 SEC. 5. (a) During any period in which an employee

1 under age sixty-five is insured under a policy of insurance
2 purchased by the Commission as authorized in section 7 of
3 this Act, there shall be withheld from each salary payment
4 of such employee, as his share of the cost of his group life and
5 accidental death and dismemberment insurance, an amount
6 determined by the Commission, but not to exceed the rate of
7 25 cents biweekly for each \$1,000 of his group life insurance:
8 *Provided*, That an employee who is paid on other than a
9 biweekly basis shall have an amount so withheld, determined
10 at a proportionate rate, which rate shall be adjusted to the
11 nearest cent.

12 Any policy of insurance purchased by the Commission as
13 authorized in section 7 of this Act shall provide that all em-
14 ployees eligible under the terms of this Act will be auto-
15 matically insured thereunder commencing on the date they
16 first become so eligible: *Provided*, That any employee de-
17 siring not to be so insured shall, on an appropriate form to
18 be prescribed by the Commission, give written notice to his
19 employing office that he desires not to be insured. If such
20 notice is received before the employee shall have become in-
21 sured under such policy, he shall not be so insured; if it is
22 received after he shall have become insured, his insurance
23 under the policy will cease effective with the end of the pay
24 period during which the notice is received by the employing
25 office.

1 (b) For each period in which an employee is insured
2 under a policy of insurance purchased by the Commission as
3 authorized in section 7 of this Act, there shall be contributed
4 from the respective appropriation or fund which is used for
5 payment of his salary, wage, or other compensation (or, in
6 the case of an elected official, from such appropriation or fund
7 as may be available for payment of other salaries of the same
8 office or establishment) a sum computed at a rate determined
9 by the Commission, but not to exceed one-half the amount
10 withheld from the employee under this section.

11 (c) The sums withheld from employees under sub-
12 section (a) and the sums contributed from appropriations
13 and funds under subsection (b) shall be deposited in the
14 Treasury of the United States to the credit of a fund which
15 is hereby created. Said fund is hereby made available with-
16 out fiscal year limitation for premium payments under any
17 insurance policy or policies purchased as authorized in sections
18 7 and 10 of this Act, and for any expenses incurred by the
19 Commission in the administration of this Act within such limi-
20 tations as may be specified annually in appropriation acts:
21 *Provided*, That appropriations available to the Commission
22 for salaries and expenses for the fiscal year 1955 shall be
23 available on a reimbursable basis for necessary administrative
24 expenses of carrying out the purposes of this Act until said
25 fund shall be sufficient to provide therefor. The income

1 derived from any dividends or premium rate adjustments
2 received from insurers shall constitute a part of said fund.

3 SEC. 6. Each policy purchased under this Act shall
4 contain a provision, in terms approved by the Commission,
5 to the effect that any insurance thereunder on any employee
6 shall cease upon his separation from the service or twelve
7 months after discontinuance of his salary payments, which-
8 ever first occurs, subject to a provision which shall be con-
9 tained in the policy for temporary extension of coverage and
10 for conversion to an individual policy of life insurance under
11 conditions approved by the Commission, except that if upon
12 such date as the insurance would otherwise cease the em-
13 ployee (a) retires on an immediate annuity, and (b) unless
14 retired for disability, has had fifteen years of creditable
15 civilian service, as determined by the Commission, his life
16 insurance only may, under conditions determined by the
17 Commission, be continued without cost to him in the amounts
18 for which he would have been insured from time to time had
19 his salary payments continued at the same rate as on the
20 date of cessation.

21 SEC. 7. (a) The Commission is authorized, without re-
22 gard to section 3709 of the Revised Statutes as amended, to
23 purchase from one or more life insurance companies, as deter-
24 mined by it, a policy or policies of group life and accidental
25 death and dismemberment insurance to provide the benefits

1 specified in this Act: *Provided*, That any such company must
2 meet the following requirements: (1) Be licensed under the
3 laws of forty-eight of the States of the United States and the
4 District of Columbia to transact life and accidental death and
5 dismemberment insurance, and (2) the amount of its em-
6 ployee group life insurance on the most recent December 31
7 for which information is available to the Commission shall on
8 that date equal at least 1 per centum of the total amount of
9 employee group life insurance in the United States in all life
10 insurance companies.

11 (b) The life insurance company or companies issuing
12 such policy or policies shall establish an administrative office
13 under a name to be approved by the Commission.

14 (c) The Commission shall arrange with the life insur-
15 ance company or companies issuing any policy or policies
16 purchased under this Act to reinsure, under conditions ap-
17 proved by it, portions of the total amount of insurance under
18 the policy or policies, determined as provided in subsection
19 (d) of this section, with such other life insurance companies
20 as may elect to participate in such reinsurance.

21 (d) The Commission shall determine a formula so that
22 the amount of insurance in force to be retained by each issuing
23 company after ceding reinsurance and the total amount of
24 reinsurance ceded to each reinsuring company shall be in

1 proportion to the total amount of each such company's group
2 life insurance in force in the United States on December 31,
3 1953: *Provided*, That in determining such proportions, that
4 portion of any company's group life insurance in force on
5 December 31, 1953, which is in excess of \$100,000,000 shall
6 be reduced by 25 per centum of the first \$100,000,000 of
7 such excess, 50 per centum of the second \$100,000,000 of
8 such excess, 75 per centum of the third \$100,000,000 of
9 such excess, and 95 per centum of any excess thereafter:
10 *Provided further*, That the amount retained by or ceded to
11 any company shall not exceed 25 per centum of the amount
12 of that company's total life insurance in force in the United
13 States on December 31, 1953: *Provided further*, That if,
14 at the end of one year following the date of enactment of
15 this Act, in the case of any issuing company or reinsurer
16 which insured employees of the Federal Government on De-
17 cember 31, 1953, under policies issued to an association of
18 Federal employees, the amount which results from the ap-
19 plication of this formula is less than the decrease, if any,
20 in the amount of such company's insurance under such poli-
21 cies, the amount allocated to such company shall, upon the
22 first reallocation as provided in subsection (e) of this sec-
23 tion, be increased to the amount of such decrease: *And pro-*
24 *vided further*, That any fraternal benefit association which

1 is licensed under the laws of a State of the United States
2 or the District of Columbia to transact life insurance and is
3 engaged in issuing insurance certificates on the lives of
4 employees of the Federal Government exclusively shall be
5 eligible to act as a reinsuring company and may be allocated
6 an amount of reinsurance equal to 25 per centum of its
7 total life insurance in force on employees of the Federal
8 Government on December 31, 1953.

9 (e) The companies eligible to participate as rein-
10 surers, and the amount of insurance under the policy or
11 policies to be allocated to each issuing company or reinsurer
12 may be redetermined by the Commission for and in advance
13 of any policy year after the first, on a basis consistent with
14 subsections (c) and (d) of this section, with any modifica-
15 tions thereof it deems appropriate to carry out the intent
16 of such subsections, and based on each participating com-
17 pany's group life insurance in force, excluding that under
18 any policy or policies purchased under this Act except in the
19 case of companies covered in the third proviso of subsection
20 (d), in the United States on the most recent December 31
21 for which information is available to it, and shall be so
22 redetermined in a similar manner not less often than every
23 three years or at any time that any participating company
24 withdraws from participation.

1 (f) The Commission may at any time discontinue any
2 policy or policies it has purchased from any insurance
3 company.

4 SEC. 8. (a) Each policy or policies purchased under this
5 Act shall include, for the first policy year, basic tables of
6 premium rates as follows:

7 (1) For group life insurance, a schedule of basic pre-
8 mium rates by age which the Commission shall have de-
9 termined on a basis consistent with the lowest schedule of
10 basic premium rates generally charged for new group life
11 insurance policies issued to large employers, this schedule of
12 basic premium rates by age to be applied, except as other-
13 wise provided in this section, to the distribution by age of
14 the amounts of group life insurance under the policy at its
15 date of issue to determine an average basic premium rate
16 per \$1,000 of life insurance, and

17 (2) For group accidental death and dismemberment
18 insurance, a basic premium rate which the Commission shall
19 have determined on a basis consistent with the lowest rate
20 generally charged for new group accidental death and dis-
21 memberment insurance policies issued to large employers.

22 Each policy so purchased shall also include provisions
23 whereby the basic rates of premium determined for the first
24 policy year shall be continued for subsequent policy years,
25 except that they may be readjusted for any subsequent year,

1 based on the experience under the policy, such readjustment
2 to be made by the insurance company or companies issuing
3 the policy on a basis determined by the Commission in ad-
4 vance of such year to be consistent with the general prac-
5 tice of life insurance companies under policies of group life
6 and group accidental death and dismemberment insurance
7 issued to large employers.

8 (b) Each policy so purchased shall include a provision
9 that, in the event the Commission determines that ascertain-
10 ing the actual age distribution of the amounts of group life
11 insurance in force at the date of issue of the policy or at
12 the end of the first or any subsequent year of insurance
13 thereunder would not be possible except at a disproportion-
14 ately high expense, it may approve the determination of a
15 tentative average group life premium rate, for the first or
16 any subsequent policy year, in lieu of using the actual age
17 distribution. Such tentative average premium rate shall be
18 redetermined by the Commission during any policy year
19 upon request by the insurance company or companies issuing
20 the policy, if experience indicates that the assumptions made
21 in determining the tentative average premium rate for that
22 policy year were incorrect.

23 (c) Each policy so purchased shall contain a provision
24 stipulating the maximum expense and risk charges for the
25 first policy year, which charges shall have been determined

1 by the Commission on a basis consistent with the general
2 level of such charges made by life insurance companies under
3 policies of group life and accidental death and dismember-
4 ment insurance issued to large employers. Such maximum
5 charges shall be continued from year to year, except that
6 the Commission may redetermine such maximum charges
7 for any year either by agreement with the insurance com-
8 pany or companies issuing the policy or upon written notice
9 given by it to such companies at least one year in advance of
10 the beginning of the year for which such redetermined maxi-
11 mum charges will be effective.

12 (d) Each such policy shall provide for an accounting
13 to the Commission not later than ninety days after the end
14 of each policy year, which shall set forth, in a form approved
15 by the Commission, (1) the amounts of premiums actually
16 accrued under the policy from its date of issue to the end of
17 such policy year, (2) the total of all mortality and other
18 claim charges incurred for that period, and (3) the amounts
19 of the insurers' expense and risk charges for that period.
20 Any excess of the total of item (1) over the sum of items
21 (2) and (3) shall be held by the insurance company or
22 companies issuing the policy as a special contingency reserve
23 to be used by such insurance company or companies for

1 charges under such policy only, such reserve to bear interest
2 at a rate to be determined in advance of each policy year by
3 the insurance company or companies issuing the policy,
4 which rate shall be approved by the Commission as being
5 consistent with the rates generally used by such company or
6 companies for similar funds held under other group life in-
7 surance policies: *Provided*, That, if and when the Commis-
8 sion determines that such special contingency reserve has
9 attained an amount estimated by it to make satisfactory pro-
10 vision for adverse fluctuations in future charges under the
11 policy, any further such excess shall be deposited in the
12 Treasury of the United States to the credit of the fund. If
13 and when such policy is discontinued, and if after all charges
14 have been made, there is any positive balance remaining
15 in such special contingency reserve, such balance shall be
16 deposited in the Treasury of the United States to the credit
17 of the fund, subject to the right of the insurance company
18 or companies issuing the policy to make such deposit in
19 equal monthly installments over a period of not more than
20 two years.

21 SEC. 9. The Commission shall arrange to have each
22 employee insured under such policy receive a certifi-
23 cate setting forth the benefits to which the employee is

1 entitled thereunder, to whom such benefits shall be payable,
2 to whom claims should be submitted, and summarizing the
3 provisions of the policy principally affecting the employee.
4 Such certificate shall be in lieu of the certificate
5 which the insurance company or companies would otherwise
6 be required to issue.

7 SEC. 10. (a) The Commission is authorized to arrange
8 with any nonprofit association of Federal employees for
9 the assumption by the fund of any existing life insurance
10 agreements of such association with its members retired or
11 otherwise separated from the Federal service and to insure
12 the obligations assumed with any company or companies
13 meeting the requirements of section 7 (a).

14 (b) Any such arrangement shall provide that payments
15 by such insured members for life insurance only shall there-
16 after be made at the same rates to the fund, under such con-
17 ditions as the Commission may prescribe.

18 (c) Any such arrangement shall further provide that
19 there be transferred to and deposited in the fund the lesser of
20 the following amounts:

21 (1) The total assets of the life insurance fund of
22 such association; or

23 (2) The amount required to meet the liabilities
24 under life insurance agreements assumed, taking into ac-
25 count the payments as provided in paragraph (b). The

determination of this amount shall be based on an actuarial valuation satisfactory to the Commission, procured by the association without expense to the Commission.

(d) The arrangements authorized by this section shall be made only with those associations which terminate life insurance agreements with all of their members within one year after the date of enactment of this Act, and such arrangements shall apply only to life insurance granted to any member by any such association before January 1, 1954.

(e) In any case in which the fund assumes a liability for life insurance as provided in this section in respect to a person who (1) subsequently becomes eligible to be insured as an employee under this Act, and (2) does not give notice, as provided in section 5 (a), of his desire not to be so insured, the life insurance provided under this section shall terminate as of the date such person becomes insured as an employee.

SEC. 11. Except as otherwise provided herein, the Commission is hereby authorized to promulgate such regulations as may be necessary and proper to give effect to the intent, purposes, and provisions of this Act.

SEC. 12. (a) There is hereby established an Advisory Council on Group Insurance consisting of the Secretary of the Treasury as Chairman, the Secretary of Labor, and the Direc-

1 tor of the Bureau of the Budget, who shall serve without
2 additional compensation. The Council shall meet once a
3 year, or oftener at the call of the Commission, and shall re-
4 view the operations of this Act and advise the Commission
5 on matters of policy relating to its activities thereunder.

6 (b) The Chairman of the Commission shall appoint a
7 committee composed of five employees insured under this Act,
8 who shall serve without compensation, to advise the Commis-
9 sion regarding matters of concern to employees under this
10 Act.

11 SEC. 13. The Commission shall report annually to Con-
12 gress upon the operation of this Act.

13 SEC. 14. The district courts of the United States shall
14 have original jurisdiction, concurrent with the Court of
15 Claims, of any civil action or claim against the United States
16 founded upon this Act.

17 SEC. 15. The insurance provided by this Act and the
18 withholdings and contributions for that purpose shall become
19 effective when directed by the Commission.

Passed the Senate July 8 (legislative day, July 2), 1954.

Attest:

J. MARK TRICE,

Secretary.

AN ACT

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

JULY 12, 1954

Referred to the Committee on Post Office and Civil Service

GROUP LIFE INSURANCE FOR FEDERAL EMPLOYEES

JULY 30, 1954.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. REES of Kansas, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany S. 3681]

The Committee on Post Office and Civil Service, to whom was referred the bill (S. 3681) to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

It is the purpose of this legislation to provide low-cost group life insurance to Federal employees in sums approximating their annual salary.

This bill authorizes a group-insurance program covering nearly all the civilian employees of the executive, legislative and judicial branches of the United States Government and the municipal government of the District of Columbia.

The Civil Service Commission may, by regulations and after consultation with agency heads, exclude persons whose coverage would be administratively impracticable, such as seasonal employees in the Department of Agriculture and the Department of the Interior, as well as employees hired for a special job, such as employees in the postal service during the Christmas rush.

This legislation will not apply to noncitizen employees having permanent duty station outside the United States or employees of certain corporations under the supervision of the Farm Credit Administration. Each eligible employee would be automatically covered unless he elects to the contrary.

Each covered employee would be insured for a sum equal to his annual compensation raised to the next higher multiple of \$1,000, with a maximum of \$20,000 in any case. Double indemnity and dismemberment insurance also attaches. The amount of insurance would be reduced by 2 percent a month after the individual attains age 65, subject to a maximum reduction of 75 percent.

As his share of premium cost for all three types of insurance, there will be withheld from the employee's salary an amount not exceeding 25 cents biweekly for each \$1,000 of life insurance. The Government will contribute an amount not exceeding one-half the sum withheld from the employee. Payment of premiums would end at age 65, or earlier if the employee retires for disability or retires for other reason after at least 15 years' civilian service. Otherwise, separation from service would terminate the insurance, subject to a right of the employee to convert the insurance to an individual policy of life insurance under conditions approved by the Commission.

The Committee feels that this is one of the important new proposals which provide necessary elements of a well-rounded personnel program for the Federal service, and that it carries out the plan outlined by the President in his message to the Congress of May 19, 1954.

Recognizing the special problems which exist because of the nature of the Federal service, the bill would adapt to the use of Government an administrative practice which has proved its value in progressive private business. Business has found that group insurance evidences the desire of management to help the employee in increasing his morale and work productivity. Government will derive the same advantages from the plan that are so widely acknowledged in the business world.

The Committee enjoins the heads of departments and agencies to acquaint present employees and new employees when they enter the Federal service of their rights and privileges both as to the insurance program and their retirement program. In order to avoid any misunderstandings, employees' attention should be directed to the fact that this is term insurance as distinguished from ordinary life insurance.

It is estimated that the total cost of this program will approximate \$70 million a year, and that the Government's one-third share will be about \$22,750,000. This will be the entire Government expenditure, with no additional appropriation for administrative expenses being necessary. The committee is assured and believes that total administrative cost will not exceed 2 percent of the total premium collected from the Government and from the employees.

EXPLANATION OF THE BILL BY SECTIONS

The first section of S. 3681 provides that this legislation shall be cited as the "Federal Employees' Group Life Insurance Act of 1954."

Under section 2 of the bill, the group insurance program authorized thereunder would cover nearly all civilian employees of the executive, legislative, and judicial branches of the United States Government. The Commission could, by regulation and after consultation with agency heads, exclude persons whose coverage would be administratively impractical, such as short-term, seasonal, or intermittent employees; no exclusion could be effected solely on the hazardous nature of employment. Noncitizen employees with permanent duty station

outside a State or the District of Columbia, and employees of certain corporations under the supervision of the Farm Credit Administration, would be excluded from coverage.

As outlined in section 3, each covered employee would be insured for a sum equal to his annual compensation raised to the next higher multiple of \$1,000, with a maximum of \$20,000 in any case. If death occurs by accidental means, the amount of insurance would be doubled. Dismemberment insurance is also provided. The amount of insurance would be reduced by 2 percent a month after the individual attains age 65, subject to a maximum reduction of 75 percent.

Section 4 sets up an order of precedence for paying the insurance upon death. This is the same order as contained in the Civil Service Retirement Act for lump-sum death payments and as established by the act of August 3, 1950, for payment of accrued leave, etc., upon death, as follows:

1. Designated beneficiary.
2. Widow or widower.
3. Children.
4. Parents.
5. Estate.
6. Next of kin.

Under section 5, an employee may elect not to be insured, but in the absence of such election the insurance is automatic. As his share of premium cost for all three types of insurance, there will be withheld from each covered employee's salary an amount not exceeding 25 cents biweekly for each \$1,000 of life insurance. The Government will contribute an amount not exceeding one-half the sum withheld from the employee. These employee and Government contributions will be deposited in a special fund in the United States Treasury, which fund will be available for premium payments to insurance companies and for administrative expenses.

Section 6 would terminate the insurance generally upon an employee's separation from service; the separated employee would then be privileged to purchase an individual policy at the standard premium rate. However, if the employee is separated for retirement on immediate annuity with at least 15 years' civilian service or for disability retirement, the life insurance only would continue without further cost to him, subject to reduction after age 65 provided in section 3.

The Commission is authorized by section 7 to purchase, from one or more companies meeting specified qualifications, a policy or policies to provide the proposed insurance benefits. The company or companies selected would be required to reinsure portions of the total insurance with other companies which elect to participate. The formula for apportioning reinsurance would be related to each company's group life insurance already in force but with a weighting to benefit the smaller companies.

Section 8 deals with the premium rates to be charged by the companies, which would be determined by the Commission on a basis consistent with the lowest rates charged large employers for such insurance. Subsequent readjustments would be made if found necessary by experience. Annual reports, accounting for all income and expenses under the policies, would be made by the companies. Any excess of premium income over mortality and other claim charges and expense and risk charges will be held as an interest-bearing

contingency reserve, for use in meeting future charges or for eventual return to the Treasury fund.

As provided in section 9, each insured employee would receive a certificate setting forth benefits to which he and his beneficiary may be entitled and other related information.

Under section 10, the Commission will act to protect the rights of separated or retired employees now insured through nonprofit associations of Federal employees. Such insured persons would be protected at their present premium rates for life insurance granted prior to January 1, 1954, provided the association terminates all its life insurance agreements and turns over assets sufficient, if possible, to cover the liabilities involved. Should any such insured separated or retired employee become reemployed in a position in which he would be eligible to insurance as provided by this act, he shall be permitted to elect to have such insurance canceled, and thenceforth to be insured under this act, but he shall not have both.

The Commission would, under section 11, promulgate necessary regulations to administer the program.

Section 12 would establish an Advisory Council on Group Insurance to review operations and advise the Commission on policy matters. The Chairman of the Commission would appoint a committee of five insured employees to advise regarding matters of concern to employees under the program.

Annual reports by the Commission to Congress are required by section 13.

Section 14 would clarify the rights of claimants who may wish to make the United States a party to a court action involving a claim under the program. This section would extend the jurisdiction of United States district courts above the \$10,000 limitation now in effect.

The Commission will, under section 15, establish an effective date for the insurance and for contributions.

As above indicated, the bill is designed to provide a low-cost group life insurance program to Federal employees on a basis recognizing the special problems which exist because of the nature of the Federal service. In this connection the bill is specific with respect to those provisions which would be required to be contained in a group policy purchased by the Commission.

PRESIDENT'S MESSAGE

The message of the President is as follows:

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES RELATIVE TO PROPOSING
A PLAN OF CONTRIBUTORY GROUP LIFE INSURANCE FOR FEDERAL CIVILIAN
EMPLOYEES

To the Congress of the United States:

I propose for the consideration of the Congress a plan of contributory group life insurance for Federal civilian employees.

Three months ago I expressed my conviction that a well-rounded personnel program was needed to benefit the Federal career system and its workers and to increase the administrative efficiency of the Government. A program was envisaged that would combine the best practices of progressive, private employers with the special requirements of public service.

With this type of personnel program as our objective, thorough studies were made to determine how best to provide its necessary elements, and most of these have been recommended to the Congress. An additional essential element is contributory group life insurance. Such a plan I now recommend to the Congress.

Excepting those excluded by their own request or for administrative reasons, this plan would provide all civilian employees of the legislative, executive, and judicial branches with group-life insurance approximately equal in amount to 1 year's salary during active service prior to age 65, and with reduced benefits thereafter. The amount would be doubled if the employee should die by accidental means. Employees retiring on an immediate annuity, after 15 years of service, would have insurance protection without further cost to them. Others terminating their employment would be able, without medical examination, to convert their insurance to individual policies at rates applicable to their attained age.

By means of this plan Government workers could supplement their own insurance programs at minimum expense. The cost of the plan would be shared by the Government and participating employees, each agency paying from existing appropriations about half of its employee's costs. Thus employees could take advantage of the low contribution rate of 25 cents biweekly for each \$1,000 life insurance.

In order to have advantages under this plan that are normally available to private employers, it is proposed that the insurance be cooperatively underwritten through the facilities of a large group of life-insurance companies having experience in employee group-insurance benefits. These companies would establish a single administrative office to assure the utmost economy in the operation of the plan.

The functions normally performed by the employer in a group-insurance plan would, under this plan, be performed in the Government by the Civil Service Commission. A Council on Group Insurance, consisting of the Secretaries of the Treasury and Labor and Director of the Bureau of the Budget, would be established to review the program and advise the Commission on policy matters.

In summary, two predominant features make this plan especially advantageous to the Government and its personnel. First, employees are better enabled by this low-cost life-insurance protection to carry out their responsibilities to their families. Second, the plan is another essential element in the development of a comprehensive personnel program that applies to Government service the best practices of progressive, private employers.

A draft bill to effectuate this plan has been prepared by the Civil Service Commission and is being submitted to the Congress. I earnestly recommend that the Congress give this plan early favorable consideration.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, May 19, 1954.

A draft of the bill referred to in the President's message was transmitted to the chairman of the committee and introduced as a companion bill.

The letter of transmittal and an explanatory analysis of the bill as submitted follows:

UNITED STATES CIVIL SERVICE COMMISSION,
Washington 25, D. C., May 21, 1954.

HON. EDWARD H. REES,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR CONGRESSMAN REES: You will recall from previous conversations that we have been working for some time on developing a plan for providing group life insurance for Federal employees.

On May 19 the President indicated in a message to Congress that a draft bill had been developed and would be submitted by the Commission. A draft bill is enclosed for your consideration.

Sincerely yours,

PHILIP YOUNG, *Chairman.*

NARRATIVE ANALYSIS OF DRAFT OF GROUP LIFE INSURANCE BILL

As provided in section 2, nearly all civilian employees of the executive, legislative, and judicial branches of the United States, and of the government of the District of Columbia, would be eligible for insurance coverage. Noncitizen employees stationed overseas would be excluded. The Commission could by regulation, after consultation with the agency head concerned, exclude employees whose coverage would be administratively impracticable.

The amount of life insurance for which an employee would be eligible is stated in section 3. Subject to a maximum of \$20,000, it would equal annual compensation raised to the next higher multiple of \$1,000. If death occurs by accidental means,

the amount of insurance would be doubled. Dismemberment insurance would also be provided. The amount of insurance would be reduced by 2 percent per month after the employee attained age 65, subject to a minimum amount of not less than 25 percent. However, this reduction would not operate during the employee's first year of coverage, nor would the employee's premiums be reduced.

Section 4 would establish an order of precedence for paying death claims. It is the same order as contained in the Civil Service Retirement Act for payment of lump-sum death benefits, and in the act of August 3, 1950 (Public Law 636, 81st Cong.) for payment of accrued leave and compensation in the case of deceased employees. This order of precedence has proved highly satisfactory for the speedy and economical settlement of claims.

Under section 5, an employee could elect not to be insured under the act but in the absence of such election he would be automatically insured. As his share of the cost of all 3 types of insurance—life, accidental death, and dismemberment—an amount would be withheld from each salary payment at a rate not exceeding 25 cents biweekly for each \$1,000 of his group life insurance. The employing agency would contribute from its salary appropriations an amount not exceeding one-half the amount withheld from the employee. The contributions by employees and employers would be deposited to a special fund in the Treasury, which would be available for premium payments to insurance companies and for expenses of the Commission in administering the act, with the latter subject to such limitations as might be specified in annual appropriation acts.

Section 6 would provide for the termination of insurance when the employee is separated from the service, except in the case of an employee retiring on an immediate annuity with at least 15 years of creditable civilian service. In that event, his life insurance only would be continued without further cost to him, but would be subject to the same reduction after age 65 as provided in section 3 for active employees. Employees not eligible for continuing insurance protection under this provision would have the right to purchase individual policies at standard premium rates, without medical examination.

The Commission would be authorized in section 7 to purchase, from one or more insurance companies meeting certain qualifications, a policy or policies to provide the proposed insurance benefits. Competitive bidding would not be necessary, because the company or companies selected would be required to reinsure portions of the total insurance with other companies electing to participate. Thus nationwide company representation in the program would be possible. The formula for apportioning reinsurance would be related to each participating company's group life insurance in force, with a weighting to benefit the smaller companies.

Section 8 deals with the premium rates to be charged by insurance companies, which would be determined by the Commission on a basis consistent with the lowest rates charged large employers for group life and group accidental death and dismemberment insurance. Adjustment of rates would be made as experience required. The insurance companies would be required to report annually to the Commission, accounting for all income and expenses under the policies. Any excess of premium income over mortality and other claim charges and expenses would be held as an interest-bearing contingency reserve, for use only to meet future charges under the policy or for eventual return to the Treasury.

As provided in section 9, each insured employee would receive a statement setting forth the benefits to which he would be entitled, together with other information of importance to him and to his beneficiary.

Section 10 would protect the rights of retired or separated employees who are now members of nonprofit associations of Federal employees providing group life insurance. The need for such associations would disappear if the proposed plan becomes law. In fairness to former employees not eligible to participate in the new program, but whose insurance protection might otherwise be lost because of it, section 10 would continue their present coverage at present premium rates. To take advantage of this arrangement, the association would have to terminate all of its life insurance agreements and turn over assets sufficient, if possible, to cover the liabilities involved.

Section 11 would authorize the Commission to promulgate regulations necessary in the administration of the program. Under section 12, an Advisory Council on Group Insurance would be established to review operations and to advise the Commission on policy matters. Section 13 would require the Commission to report annually to Congress, and section 14 would make the insurance and contribution provisions effective when directed by the Commission, following its purchase of the required policies and the completion of administrative arrangements necessary to put the program into effect.

Union Calendar No. 885

83^D CONGRESS
2^D SESSION

S. 3681

[Report No. 2579]

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 1954

Referred to the Committee on Post Office and Civil Service

JULY 30, 1954

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

AN ACT

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Employees'
4 Group Life Insurance Act of 1954."

5 SEC. 2. (a) Except as provided in (b) of this section,
6 each appointive or elective officer or employee (hereinafter
7 called employee) in or under the executive, judicial, or legis-
8 lative branch of the United States Government, including
9 a Government owned or controlled corporation (but not in-

cluding any corporation under the supervision of the Farm
Credit Administration of which corporation any member of
the board of directors is elected or appointed by private in-
terests), and of the municipal government of the District of
Columbia shall, at such time and under such conditions of
eligibility as the Civil Service Commission (hereinafter
called the Commission) may by regulation prescribe, come
within the purview of this Act. Such regulations may pro-
vide for the exclusion of employees on the basis of the nature
and type of employment or conditions pertaining thereto
such as, but not limited to, short term appointments, seasonal
or intermittent employment, part-time employment, and
employment of like nature, and shall be issued only after
consultation with the head of the department, establishment,
agency, or other employing authority concerned: *Provided*,
That no employee or group of employees shall be excluded
solely on the basis of the hazardous nature of employment.

(b) This Act shall not apply to noncitizen employees
whose permanent duty station is located outside a State of
the United States or the District of Columbia, nor shall it
apply to commissioned officers and enlisted personnel on ac-
tive duty in or with the Army, Navy, Air Force, Marine
Corps, or Coast Guard of the United States, who have
indemnity coverage under the Servicemen's Indemnity Act
of 1951 (65 Stat. 33).

1 SEC. 3. (a) Each employee to whom this Act applies
2 shall be eligible to be insured for an amount of group life
3 insurance approximating his annual compensation not ex-
4 ceeding \$20,000 plus an equal amount of group accidental
5 death and dismemberment insurance, in accordance with the
6 following schedule :

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death and dis- memberment insurance shall be—
Greater than	But not greater than		
0	\$1, 000	\$1, 000	\$1, 000
\$1, 000	2, 000	2, 000	2, 000
2, 000	3, 000	3, 000	3, 000
3, 000	4, 000	4, 000	4, 000
4, 000	5, 000	5, 000	5, 000
5, 000	6, 000	6, 000	6, 000
6, 000	7, 000	7, 000	7, 000
7, 000	8, 000	8, 000	8, 000
8, 000	9, 000	9, 000	9, 000
9, 000	10, 000	10, 000	10, 000
10, 000	11, 000	11, 000	11, 000
11, 000	12, 000	12, 000	12, 000
12, 000	13, 000	13, 000	13, 000
13, 000	14, 000	14, 000	14, 000
14, 000	15, 000	15, 000	15, 000
15, 000	16, 000	16, 000	16, 000
16, 000	17, 000	17, 000	17, 000
17, 000	18, 000	18, 000	18, 000
18, 000	19, 000	19, 000	19, 000
19, 000	-----	20, 000	20, 000

7 (b) Subject to the conditions and limitations of the
8 policy or policies purchased by the Commission under this
9 Act, as may be approved by the Commission, the group
10 accidental death and dismemberment insurance shall provide
11 payments as follows:

Loss	Amount payable
For loss of life.	Full amount shown in the schedule in (a) of this section.
Loss of one hand or of one foot or loss of sight of one eye.	One-half the amount shown in the schedule in (a) of this section.
Loss of two or more such members.	Full amount shown in the schedule in (a) of this section.

1 For any one accident the aggregate amount of group acci-
2 dental death and dismemberment insurance that may be paid
3 shall not exceed the amount shown in the schedule in (a)
4 of this section.

5 (c) The Commission shall by regulation provide for the
6 conversion of other than annual rates of compensation to an
7 annual basis, and shall further specify the types of compensa-
8 tion to be included in annual compensation.

9 (d) Each of such amounts of insurance shall be reduced
10 by 2 per centum thereof at the end of each full calendar
11 month following the date the employee attains age sixty-five,
12 subject to minimum amounts prescribed by the Commission,
13 but not less than 25 per centum of the insurance in force
14 immediately preceding the first reduction provided herein:
15 *Provided*, That the amounts of insurance in force from time
16 to time on an employee who becomes insured under this Act
17 after having attained the age of sixty-five shall be the same as
18 would be in force had he been insured at age sixty-five, and
19 shall be based on the lesser of his annual compensation (1)
20 at the time he becomes so insured, or (2) at age sixty-five,
21 provided he was eligible at that time to be insured under
22 this Act.

23 SEC. 4. Any amount of group life insurance and group
24 accidental death insurance in force on any employee at the
25 date of his death shall be paid, upon the establishment of a

1 valid claim therefor, to the person or persons surviving at the
2 date of his death, in the following order of precedence:

3 First, to the beneficiary or beneficiaries as the employee
4 may have designated by a writing received in the employing
5 office prior to death;

6 Second, if there be no such beneficiary, to the widow
7 or widower of such employee;

8 Third, if none of the above, to the child or children
9 of such employee and descendants of deceased children by
10 representation;

11 Fourth, if none of the above, to the parents of such em-
12 ployee or the survivor of them;

13 Fifth, if none of the above, to the duly appointed execu-
14 tor or administrator of the estate of such employee;

15 Sixth, if none of the above, to other next of kin of such
16 employee entitled under the laws of domicile of such em-
17 ployee at the time of his death.

18 If any person otherwise entitled to payment under this
19 section does not make claim therefor within one year after
20 the death of the employee, or if payment to such person
21 within that period is prohibited by Federal statute or regula-
22 tion, payment may be made in the order of precedence as
23 if such person had predeceased the employee, and any such
24 payment shall be a bar to recovery by any other person.

25 SEC. 5. (a) During any period in which an employee

1 under age sixty-five is insured under a policy of insurance
2 purchased by the Commission as authorized in section 7 of
3 this Act, there shall be withheld from each salary payment
4 of such employee, as his share of the cost of his group life and
5 accidental death and dismemberment insurance, an amount
6 determined by the Commission, but not to exceed the rate of
7 25 cents biweekly for each \$1,000 of his group life insurance:
8 *Provided*, That an employee who is paid on other than a
9 biweekly basis shall have an amount so withheld, determined
10 at a proportionate rate, which rate shall be adjusted to the
11 nearest cent.

12 Any policy of insurance purchased by the Commission as
13 authorized in section 7 of this Act shall provide that all em-
14 ployees eligible under the terms of this Act will be auto-
15 matically insured thereunder commencing on the date they
16 first become so eligible: *Provided*, That any employee de-
17 siring not to be so insured shall, on an appropriate form to
18 be prescribed by the Commission, give written notice to his
19 employing office that he desires not to be insured. If such
20 notice is received before the employee shall have become in-
21 sured under such policy, he shall not be so insured; if it is
22 received after he shall have become insured, his insurance
23 under the policy will cease effective with the end of the pay
24 period during which the notice is received by the employing
25 office.

1 (b) For each period in which an employee is insured
2 under a policy of insurance purchased by the Commission as
3 authorized in section 7 of this Act, there shall be contributed
4 from the respective appropriation or fund which is used for
5 payment of his salary, wage, or other compensation (or, in
6 the case of an elected official, from such appropriation or fund
7 as may be available for payment of other salaries of the same
8 office or establishment) a sum computed at a rate determined
9 by the Commission, but not to exceed one-half the amount
10 withheld from the employee under this section.

11 (c) The sums withheld from employees under sub-
12 section (a) and the sums contributed from appropriations
13 and funds under subsection (b) shall be deposited in the
14 Treasury of the United States to the credit of a fund which
15 is hereby created. Said fund is hereby made available with-
16 out fiscal year limitation for premium payments under any
17 insurance policy or policies purchased as authorized in sections
18 7 and 10 of this Act, and for any expenses incurred by the
19 Commission in the administration of this Act within such limi-
20 tations as may be specified annually in appropriation acts:
21 *Provided*, That appropriations available to the Commission
22 for salaries and expenses for the fiscal year 1955 shall be
23 available on a reimbursable basis for necessary administrative
24 expenses of carrying out the purposes of this Act until said
25 fund shall be sufficient to provide therefor. The income

1 derived from any dividends or premium rate adjustments
2 received from insurers shall constitute a part of said fund.

3 SEC. 6. Each policy purchased under this Act shall
4 contain a provision, in terms approved by the Commission,
5 to the effect that any insurance thereunder on any employee
6 shall cease upon his separation from the service or twelve
7 months after discontinuance of his salary payments, which-
8 ever first occurs, subject to a provision which shall be con-
9 tained in the policy for temporary extension of coverage and
10 for conversion to an individual policy of life insurance under
11 conditions approved by the Commission, except that if upon
12 such date as the insurance would otherwise cease the em-
13 ployee (a) retires on an immediate annuity, and (b) unless
14 retired for disability, has had fifteen years of creditable
15 civilian service, as determined by the Commission, his life
16 insurance only may, under conditions determined by the
17 Commission, be continued without cost to him in the amounts
18 for which he would have been insured from time to time had
19 his salary payments continued at the same rate as on the
20 date of cessation.

21 SEC. 7. (a) The Commission is authorized, without re-
22 gard to section 3709 of the Revised Statutes as amended, to
23 purchase from one or more life insurance companies, as deter-
24 mined by it, a policy or policies of group life and accidental
25 death and dismemberment insurance to provide the benefits

1 specified in this Act: *Provided*, That any such company must
2 meet the following requirements: (1) Be licensed under the
3 laws of forty-eight of the States of the United States and the
4 District of Columbia to transact life and accidental death and
5 dismemberment insurance, and (2) the amount of its em-
6 ployee group life insurance on the most recent December 31
7 for which information is available to the Commission shall on
8 that date equal at least 1 per centum of the total amount of
9 employee group life insurance in the United States in all life
10 insurance companies.

11 (b) The life insurance company or companies issuing
12 such policy or policies shall establish an administrative office
13 under a name to be approved by the Commission.

14 (c) The Commission shall arrange with the life insur-
15 ance company or companies issuing any policy or policies
16 purchased under this Act to reinsure, under conditions ap-
17 proved by it, portions of the total amount of insurance under
18 the policy or policies, determined as provided in subsection
19 (d) of this section, with such other life insurance companies
20 as may elect to participate in such reinsurance.

21 (d) The Commission shall determine a formula so that
22 the amount of insurance in force to be retained by each issuing
23 company after ceding reinsurance and the total amount of
24 reinsurance ceded to each reinsuring company shall be in

1 proportion to the total amount of each such company's group
2 life insurance in force in the United States on December 31,
3 1953: *Provided*, That in determining such proportions, that
4 portion of any company's group life insurance in force on
5 December 31, 1953, which is in excess of \$100,000,000 shall
6 be reduced by 25 per centum of the first \$100,000,000 of
7 such excess, 50 per centum of the second \$100,000,000 of
8 such excess, 75 per centum of the third \$100,000,000 of
9 such excess, and 95 per centum of any excess thereafter:
10 *Provided further*, That the amount retained by or ceded to
11 any company shall not exceed 25 per centum of the amount
12 of that company's total life insurance in force in the United
13 States on December 31, 1953: *Provided further*, That if,
14 at the end of one year following the date of enactment of
15 this Act, in the case of any issuing company or reinsurer
16 which insured employees of the Federal Government on De-
17 cember 31, 1953, under policies issued to an association of
18 Federal employees, the amount which results from the ap-
19 plication of this formula is less than the decrease, if any,
20 in the amount of such company's insurance under such poli-
21 cies, the amount allocated to such company shall, upon the
22 first reallocation as provided in subsection (e) of this sec-
23 tion, be increased to the amount of such decrease: *And pro-*
24 *vided further*, That any fraternal benefit association which

1 is licensed under the laws of a State of the United States
2 or the District of Columbia to transact life insurance and is
3 engaged in issuing insurance certificates on the lives of
4 employees of the Federal Government exclusively shall be
5 eligible to act as a reinsuring company and may be allocated
6 an amount of reinsurance equal to 25 per centum of its
7 total life insurance in force on employees of the Federal
8 Government on December 31, 1953.

9 (e) The companies eligible to participate as rein-
10 surers, and the amount of insurance under the policy or
11 policies to be allocated to each issuing company or reinsurer
12 may be redetermined by the Commission for and in advance
13 of any policy year after the first, on a basis consistent with
14 subsections (c) and (d) of this section, with any modifica-
15 tions thereof it deems appropriate to carry out the intent
16 of such subsections, and based on each participating com-
17 pany's group life insurance in force, excluding that under
18 any policy or policies purchased under this Act except in the
19 case of companies covered in the third proviso of subsection
20 (d), in the United States on the most recent December 31
21 for which information is available to it, and shall be so
22 redetermined in a similar manner not less often than every
23 three years or at any time that any participating company
24 withdraws from participation.

1 (f) The Commission may at any time discontinue any
2 policy or policies it has purchased from any insurance
3 company.

4 SEC. 8. (a) Each policy or policies purchased under this
5 Act shall include, for the first policy year, basic tables of
6 premium rates as follows:

7 (1) For group life insurance, a schedule of basic pre-
8 mium rates by age which the Commission shall have de-
9 termined on a basis consistent with the lowest schedule of
10 basic premium rates generally charged for new group life
11 insurance policies issued to large employers, this schedule of
12 basic premium rates by age to be applied, except as other-
13 wise provided in this section, to the distribution by age of
14 the amounts of group life insurance under the policy at its
15 date of issue to determine an average basic premium rate
16 per \$1,000 of life insurance, and

17 (2) For group accidental death and dismemberment
18 insurance, a basic premium rate which the Commission shall
19 have determined on a basis consistent with the lowest rate
20 generally charged for new group accidental death and dis-
21 memberment insurance policies issued to large employers.

22 Each policy so purchased shall also include provisions
23 whereby the basic rates of premium determined for the first
24 policy year shall be continued for subsequent policy years,
25 except that they may be readjusted for any subsequent year,

1 based on the experience under the policy, such readjustment
2 to be made by the insurance company or companies issuing
3 the policy on a basis determined by the Commission in ad-
4 vance of such year to be consistent with the general prac-
5 tice of life insurance companies under policies of group life
6 and group accidental death and dismemberment insurance
7 issued to large employers.

8 (b) Each policy so purchased shall include a provision
9 that, in the event the Commission determines that ascertain-
10 ing the actual age distribution of the amounts of group life
11 insurance in force at the date of issue of the policy or at
12 the end of the first or any subsequent year of insurance
13 thereunder would not be possible except at a disproportion-
14 ately high expense, it may approve the determination of a
15 tentative average group life premium rate, for the first or
16 any subsequent policy year, in lieu of using the actual age
17 distribution. Such tentative average premium rate shall be
18 redetermined by the Commission during any policy year
19 upon request by the insurance company or companies issuing
20 the policy, if experience indicates that the assumptions made
21 in determining the tentative average premium rate for that
22 policy year were incorrect.

23 (c) Each policy so purchased shall contain a provision
24 stipulating the maximum expense and risk charges for the
25 first policy year, which charges shall have been determined

1 by the Commission on a basis consistent with the general
2 level of such charges made by life insurance companies under
3 policies of group life and accidental death and dismember-
4 ment insurance issued to large employers. Such maximum
5 charges shall be continued from year to year, except that
6 the Commission may redetermine such maximum charges
7 for any year either by agreement with the insurance com-
8 pany or companies issuing the policy or upon written notice
9 given by it to such companies at least one year in advance of
10 the beginning of the year for which such redetermined maxi-
11 mum charges will be effective.

12 (d) Each such policy shall provide for an accounting
13 to the Commission not later than ninety days after the end
14 of each policy year, which shall set forth, in a form approved
15 by the Commission, (1) the amounts of premiums actually
16 accrued under the policy from its date of issue to the end of
17 such policy year, (2) the total of all mortality and other
18 claim charges incurred for that period, and (3) the amounts
19 of the insurers' expense and risk charges for that period.
20 Any excess of the total of item (1) over the sum of items
21 (2) and (3) shall be held by the insurance company or
22 companies issuing the policy as a special contingency reserve
23 to be used by such insurance company or companies for

1 charges under such policy only, such reserve to bear interest
2 at a rate to be determined in advance of each policy year by
3 the insurance company or companies issuing the policy,
4 which rate shall be approved by the Commission as being
5 consistent with the rates generally used by such company or
6 companies for similar funds held under other group life in-
7 surance policies: *Provided*, That, if and when the Commis-
8 sion determines that such special contingency reserve has
9 attained an amount estimated by it to make satisfactory pro-
10 vision for adverse fluctuations in future charges under the
11 policy, any further such excess shall be deposited in the
12 Treasury of the United States to the credit of the fund. If
13 and when such policy is discontinued, and if after all charges
14 have been made, there is any positive balance remaining
15 in such special contingency reserve, such balance shall be
16 deposited in the Treasury of the United States to the credit
17 of the fund, subject to the right of the insurance company
18 or companies issuing the policy to make such deposit in
19 equal monthly installments over a period of not more than
20 two years.

21 SEC. 9. The Commission shall arrange to have each
22 employee insured under such policy receive a certifi-
23 cate setting forth the benefits to which the employee is

1 entitled thereunder, to whom such benefits shall be payable,
2 to whom claims should be submitted, and summarizing the
3 provisions of the policy principally affecting the employee.
4 Such certificate shall be in lieu of the certificate
5 which the insurance company or companies would otherwise
6 be required to issue.

7 SEC. 10. (a) The Commission is authorized to arrange
8 with any nonprofit association of Federal employees for
9 the assumption by the fund of any existing life insurance
10 agreements of such association with its members retired or
11 otherwise separated from the Federal service and to insure
12 the obligations assumed with any company or companies
13 meeting the requirements of section 7 (a).

14 (b) Any such arrangement shall provide that payments
15 by such insured members for life insurance only shall there-
16 after be made at the same rates to the fund, under such con-
17 ditions as the Commission may prescribe.

18 (c) Any such arrangement shall further provide that
19 there be transferred to and deposited in the fund the lesser of
20 the following amounts:

21 (1) The total assets of the life insurance fund of
22 such association; or

23 (2) The amount required to meet the liabilities
24 under life insurance agreements assumed, taking into ac-
25 count the payments as provided in paragraph (b). The

determination of this amount shall be based on an actuarial valuation satisfactory to the Commission, procured by the association without expense to the Commission.

(d) The arrangements authorized by this section shall be made only with those associations which terminate life insurance agreements with all of their members within one year after the date of enactment of this Act, and such arrangements shall apply only to life insurance granted to any member by any such association before January 1, 1954.

(e) In any case in which the fund assumes a liability for life insurance as provided in this section in respect to a person who (1) subsequently becomes eligible to be insured as an employee under this Act, and (2) does not give notice, as provided in section 5 (a), of his desire not to be so insured, the life insurance provided under this section shall terminate as of the date such person becomes insured as an employee.

SEC. 11. Except as otherwise provided herein, the Commission is hereby authorized to promulgate such regulations as may be necessary and proper to give effect to the intent, purposes, and provisions of this Act.

SEC. 12. (a) There is hereby established an Advisory Council on Group Insurance consisting of the Secretary of the Treasury as Chairman, the Secretary of Labor, and the Direc-

1 tor of the Bureau of the Budget, who shall serve without
2 additional compensation. The Council shall meet once a
3 year, or oftener at the call of the Commission, and shall re-
4 view the operations of this Act and advise the Commission
5 on matters of policy relating to its activities thereunder.

6 (b) The Chairman of the Commission shall appoint a
7 committee composed of five employees insured under this Act,
8 who shall serve without compensation, to advise the Commis-
9 sion regarding matters of concern to employees under this
10 Act.

11 SEC. 13. The Commission shall report annually to Con-
12 gress upon the operation of this Act.

13 SEC. 14. The district courts of the United States shall
14 have original jurisdiction, concurrent with the Court of
15 Claims, of any civil action or claim against the United States
16 founded upon this Act.

17 SEC. 15. The insurance provided by this Act and the
18 withholdings and contributions for that purpose shall become
19 effective when directed by the Commission.

Passed the Senate July 8 (legislative day, July 2), 1954.

Attest:

J. MARK TRICE,

Secretary.

AN ACT

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

JULY 12, 1954

Referred to the Committee on Post Office and Civil Service

JULY 30, 1954

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

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OFFICE OF BUDGET AND FINANCE
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HIGHLIGHTS: House passed bills to: Cooperate with Mexico and Canada on insect and plant-disease control, authorize long-term leases for forest lands, permit CCC corn sales at lower prices, provide group life insurance for Federal employees, authorize Interior to make loans for reclamation projects. House concurred in Senate corrections of water-facilities loans bill. Reps. Hope and McCormack discussed bill to extend Commodity Exchange Act to coffee. Rep. Patman urged Government aid for family-size farms. Senate passed mutual security bill. Senate debated supplemental appropriation bill, agreeing to committee amendments and further increase in FHA loans. Senate confirmed Butz nomination to CCC Board. Senate committee ordered reported Mexican boundary fence bill. Sen. Knowland announced that debate will begin today on farm program bill.

HOUSE

1. WATER-FACILITIES LOANS. Agreed to the Senate corrections of S. 3137, to amend the Water Facilities Act (pp. 12415-6). This bill will now be sent to the President.
2. CCC GRAIN. Passed as reported H. J. Res. 563, to authorize CCC, until Mar. 1, 1955, to sell at the point of storage any feed grain owned by the Corporation at 10% above the current support price for the commodity (p. 12442). The Agriculture Committee reported the measure with amendment earlier in the day (H. Rept. 2609)(p. 12455).
3. RECLAMATION LOANS. Passed as reported H. R. 5301, under which State and local public agencies could plan, construct, and operate projects costing not over .5 million and receive substantially the same benefits as they would receive if the projects were being constructed as Federal reclamation projects. The bill authorizes the Interior Department to make loans for that portion of a project which would be reimbursable if it were being constructed as a Federal project, and grants for that portion of the project which would be nonreimbursable if it were being constructed as a Federal project. (pp. 12438-40.)
4. INSECTS; PLANT DISEASES. Passed without amendment S. 3697, to authorize

cooperation with Canada or Mexico, or local authorities in those countries, in the control of incipient or emergency outbreaks of insect pests and plant diseases (p. 12383). This bill will now be sent to the President.

5. FORESTRY. Passed as reported H. R. 1254, which authorizes the issuance by Federal agencies of permits, leases, or easements to States or local governments for periods not to exceed 30 years, on lands within their respective jurisdictions (p. 12382).
6. WATER RESOURCES. Passed as reported H. R. 2843, to authorize the Interior Department to investigate and report to Congress on the conservation, development, and utilization of water resources in Hawaii (p. 12381).
7. TRANSPORTATION. Passed without amendment H. R. 6310, to exempt from CAB regulations the transportation of livestock, fish, floricultural, and horticultural commodities (p. 12384).
8. WATER COMPACT. Passed without amendment S. 3699, approving an interstate compact regarding Sabine River waters (p. 12388). This bill will now be sent to the President.
9. PERSONNEL. Passed without amendment S. 3681, authorizing the Civil Service Commission to make available group life insurance for Federal employees (pp. 12421-7). This bill will now be sent to the President. For its provisions see Digest 126.

Passed as reported H. R. 7785, to make permanent the increases in regular annuities under the Civil Service Retirement Act which were granted by Public Law 555, 82nd Cong., and extend such increases to additional annuities purchased by voluntary contributions (p. 12392).

Passed as reported H. R. 9909, to prohibit payment of annuities, under the Civil Service Retirement Act, to Federal officers and employees convicted of certain crimes (pp. 12412-4).

Passed without amendment H. R. 5718, to limit to 6 years the period for collection by the Government of compensation received by officers and employees in violation of the dual compensation laws (p. 12393).
10. RECLAMATION. Passed without amendment H. R. 9981, to provide for construction of distribution systems on authorized Federal reclamation projects by irrigation districts and other public agencies (pp. 12440-1).

The Interior and Insular Affairs Committee ordered reported S. 118, authorizing the Washita River Basin project, Okla. (p. D938).
11. TRANSPORTATION; TRAVEL. The Interstate and Foreign Commerce Committee ordered reported S. 906, to establish the finality of contracts between the Government and common carriers of passengers and freight subject to the Interstate Commerce Act (p. D938).
12. FLAMMABLE FABRICS. The Interstate and Foreign Commerce Committee ordered reported S. 3379, to exempt from the Flammable Fabrics Act certain fabrics which are not highly flammable (p. D938).
13. LAND TRANSFER. Passed as reported H. J. Res. 550, to permit Federal release of reversionary rights of certain property (formerly FHA) for school purposes in Kern County, Calif. (p. 12394).
14. FAMILY-SIZE FARMS. Rep. Patman recommended that Government programs be

larly proud is the one popularly referred to as the re-Americanization section. We did not want to set up a service where long tours of duty abroad would remove our officers from the changing currents in American thinking. We hoped that there would be more frequent assignment of Foreign Service officers to the United States.

The recent testimony before our committee surprised a number of us. More than half of our Foreign Service men have had less than 1 year of duty in the United States and about three-quarters have had less than 3 years. The explanation given was that the Service was so shorthanded abroad that the law could not be carried out.

If the Congress passes this bill, one result will be that more positions in the Department will be available to the Foreign Service. And I want to make clear at this point that this bill does not increase the number of jobs in the Government. It merely transfer some from the civil service system to the Foreign Service system.

The gentleman from Ohio [Mr. VORYS] has discussed other features of this bill. I agree with his statements. All we want to do is make it possible for the Secretary of State to use the personnel under his jurisdiction to the maximum advantage. He thinks this bill will help him in that purpose and I agree with him. For that reason I am supporting this bill.

GROUP LIFE INSURANCE FOR FEDERAL EMPLOYEES

Mr. CORBETT. Mr. Speaker, I move to suspend the rules and pass the bill (S. 3681) to authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

The Clerk read the bill, as follows:

Be it enacted, etc., That this act may be cited as the "Federal Employees' Group Life Insurance Act of 1954."

SEC. 2. (a) Except as provided in (b) of this section, each appointive or elective officer or employee (hereinafter called employee) in or under the executive, judicial, or legislative branch of the United States Government, including a Government-owned or controlled corporation (but not including any corporation under the supervision of the Farm Credit Administration, of which corporation any member of the board of directors is elected or appointed by private interests), and of the municipal government of the District of Columbia shall, at such time and under such conditions of eligibility as the Civil Service Commission (hereinafter called the Commission) may by regulation prescribe, come within the purview of this act. Such regulations may provide for the exclusion of employees on the basis of the nature and type of employment or conditions pertaining thereto such as, but not limited to, short-term appointments, seasonal or intermittent employment, part-time employment, and employment of like nature, and shall be issued only after consultation with the head of the department, establishment, agency, or other employing authority concerned: *Provided*, That no employee or group of employees shall be excluded solely on the basis of the hazardous nature of employment.

(b) This act shall not apply to noncitizen employees whose permanent-duty station is located outside a State of the United States or the District of Columbia, nor shall it apply to commissioned officers and enlisted personnel on active duty in or with the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States, who have indemnity coverage under the Servicemen's Indemnity Act of 1951 (65 Stat. 33).

SEC. 3. (a) Each employee to whom this act applies shall be eligible to be insured for an amount of group life insurance approximating his annual compensation not exceeding \$20,000 plus an equal amount of group accidental death and dismemberment insurance, in accordance with the following schedule:

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death and dismemberment insurance shall be—
Greater than	But not greater than		
0	\$1,000	\$1,000	\$1,000
\$1,000	2,000	2,000	2,000
2,000	3,000	3,000	3,000
3,000	4,000	4,000	4,000
4,000	5,000	5,000	5,000
5,000	6,000	6,000	6,000
6,000	7,000	7,000	7,000
7,000	8,000	8,000	8,000
8,000	9,000	9,000	9,000
9,000	10,000	10,000	10,000
10,000	11,000	11,000	11,000
11,000	12,000	12,000	12,000
12,000	13,000	13,000	13,000
13,000	14,000	14,000	14,000
14,000	15,000	15,000	15,000
15,000	16,000	16,000	16,000
16,000	17,000	17,000	17,000
17,000	18,000	18,000	18,000
18,000	19,000	19,000	19,000
19,000	-----	20,000	20,000

(b) Subject to the conditions and limitations of the policy or policies purchased by the Commission under this act, as may be approved by the Commission, the group accidental death and dismemberment insurance shall provide payments as follows:

Loss	Amount payable
For loss of life.	Full amount shown in the schedule in (a) of this section.
Loss of one hand or one foot or loss of sight of one eye.	One-half the amount shown in the schedule in (a) of this section.
Loss of two or more such members.	Full amount shown in the schedule in (a) of this section.

For any one accident the aggregate amount of group accidental death and dismemberment insurance that may be paid shall not exceed the amount shown in the schedule in (a) of this section.

(c) The Commission shall by regulation provide for the conversion of other than annual rates of compensation to an annual basis, and shall further specify the types of compensation to be included in annual compensation.

(d) Each of such amounts of insurance shall be reduced by 2 percent thereof at the end of each full calendar month following the date the employee attains age 65, subject to minimum amounts prescribed by the Commission, but not less than 25 percent of the insurance in force immediately preceding the first reduction provided herein: *Provided*, That the amounts of insurance in force from time to time on an employee who becomes insured under this act after having attained the age of 65 shall be the same as would be in force had he been insured at age 65, and shall be based on the lesser of his annual compensation (1) at the time he becomes so insured, or (2) at age 65, provided

he was eligible at that time to be insured under this act.

SEC. 4. Any amount of group life insurance and group accidental death insurance in force on any employee at the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or persons surviving at the date of his death, in the following order of precedence:

First, to the beneficiary or beneficiaries as the employee may have designated by a writing received in the employing office prior to death;

Second, if there be no such beneficiary, to the widow or widower of such employee;

Third, if none of the above, to the child or children of such employee and descendants of deceased children by representation;

Fourth, if none of the above, to the parents of such employee or the survivor of them;

Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such employee;

Sixth, if none of the above, to other next of kin of such employee entitled under the laws of domicile of such employee at the time of his death.

If any person otherwise entitled to payment under this section does not make claim therefor within 1 year after the death of the employee, or if payment to such person within that period is prohibited by Federal statute or regulation, payment may be made in the order of precedence as if such person had predeceased the employee, and any such payment shall be a bar to recovery by any other person.

SEC. 5. (a) During any period in which an employee under age 65 is insured under a policy of insurance purchased by the Commission as authorized in section 7 of this act, there shall be withheld from each salary payment of such employee, as his share of the cost of his group life and accidental death and dismemberment insurance, an amount determined by the Commission, but not to exceed the rate of 25 cents biweekly for each \$1,000 of his group life insurance: *Provided*, That an employee who is paid on other than a biweekly basis shall have an amount so withheld, determined at a proportionate rate, which rate shall be adjusted to the nearest cent.

Any policy of insurance purchased by the Commission as authorized in section 7 of this act shall provide that all employees eligible under the terms of this act will be automatically insured thereunder commencing on the date they first become so eligible: *Provided*, That any employee desiring not to be so insured shall, on an appropriate form to be prescribed by the Commission, give written notice to his employing office that he desires not to be insured. If such notice is received before the employee shall have become insured under such policy, he shall not be so insured; if it is received after he shall have become insured, his insurance under the policy will cease, effective with the end of the pay period during which the notice is received by the employing office.

(b) For each period in which an employee is insured under a policy of insurance purchased by the Commission as authorized in section 7 of this act, there shall be contributed from the respective appropriation or fund which is used for payment of his salary, wage, or other compensation (or, in the case of an elected official, from such appropriation or fund as may be available for payment of other salaries of the same office or establishment) a sum computed at a rate determined by the Commission, but not to exceed one-half the amount withheld from the employee under this section.

(c) The sums withheld from employees under subsection (a) and the sums contributed from appropriations and funds under subsection (b) shall be deposited in the Treasury of the United States to the credit

of a fund which is hereby created. Said fund is hereby made available without fiscal year limitation for premium payments under any insurance policy or policies purchased as authorized in sections 7 and 10 of this act, and for any expenses incurred by the Commission in the administration of this act within such limitations as may be specified annually in appropriation acts: *Provided*, That appropriations available to the Commission for salaries and expenses for the fiscal year 1955 shall be available on a reimbursable basis for necessary administrative expenses of carrying out the purposes of this act until said fund shall be sufficient to provide therefor. The income derived from any dividends or premium rate adjustments received from insurers shall constitute a part of said fund.

SEC. 6. Each policy purchased under this act shall contain a provision, in terms approved by the Commission, to the effect that any insurance thereunder on any employee shall cease upon his separation from the service or 12 months after discontinuance of his salary payments, whichever first occurs, subject to a provision which shall be contained in the policy for temporary extension of coverage and for conversion to an individual policy of life insurance under conditions approved by the Commission, except that if upon such date as the insurance would otherwise cease the employee (a) retires on an immediate annuity, and (b) unless retired for disability, has had 15 years of creditable civilian service, as determined by the Commission, his life insurance only may, under conditions determined by the Commission, be continued without cost to him in the amounts for which he would have been insured from time to time had his salary payments continued at the same rate as on the date of cessation.

SEC. 7. (a) The Commission is authorized, without regard to section 3709 of the Revised Statutes as amended, to purchase from one or more life insurance companies, as determined by it, a policy or policies of group life and accidental death and dismemberment insurance to provide the benefits specified in this act: *Provided*, That any such company must meet the following requirements: (1) Be licensed under the laws of 48 of the States of the United States and the District of Columbia to transact life and accidental death and dismemberment insurance, and (2) the amount of its employee group life insurance on the most recent December 31 for which information is available to the Commission shall on the date equal at least 1 percent of the total amount of employee group life insurance in the United States in all life insurance companies.

(b) The life insurance company or companies issuing such policy or policies shall establish an administrative office under a name to be approved by the Commission.

(c) The Commission shall arrange with the life insurance company or companies issuing any policy or policies purchased under this act to reinsure, under conditions approved by it, portions of the total amount of insurance under the policy or policies, determined as provided in subsection (d) of this section, with such other life insurance companies as may elect to participate in such reinsurance.

(d) The Commission shall determine a formula so that the amount of insurance in force to be retained by each issuing company after ceding reinsurance and the total amount of reinsurance ceded to each reinsuring company shall be in proportion to the total amount of each such company's group life insurance in force in the United States on December 31, 1953: *Provided*, That in determining such proportions, that portion of any company's group life insurance in force on December 31, 1953, which is in excess of \$100,000,000 shall be reduced by 25 percent of the first \$100,000,000 of such excess, 50

percent of the second \$100,000,000 of such excess, 75 percent of the third \$100,000,000 of such excess, and 95 percent of any excess thereafter: *Provided further*, That the amount retained by or ceded to any company shall not exceed 25 percent of the amount of that company's total life insurance in force in the United States on December 31, 1953: *Provided further*, That if, at the end of 1 year following the date of enactment of this act, in the case of any issuing company or reinsurer which insured employees of the Federal Government on December 31, 1953, under policies issued to an association of Federal employees, the amount which results from the application of this formula is less than the decrease, if any, in the amount of such company's insurance under such policies, the amount allocated to such company shall, upon the first reallocation as provided in subsection (e) of this section, be increased to the amount of such decrease: *And provided further*, That any fraternal benefit association which is licensed under the laws of a State of the United States or the District of Columbia to transact life insurance and is engaged in issuing insurance certificates on the lives of employees of the Federal Government exclusively shall be eligible to act as a reinsuring company and may be allocated an amount of reinsurance equal to 25 percent of its total life insurance in force on employees of the Federal Government on December 31, 1953.

(e) The companies eligible to participate as reinsurers, and the amount of insurance under the policy or policies to be allocated to each issuing company or reinsurer may be redetermined by the Commission for and in advance of any policy year after the first, on a basis consistent with subsections (c) and (d) of this section, with any modifications thereof it deems appropriate to carry out the intent of such subsections, and based on each participating company's group life insurance in force, excluding that under any policy or policies purchased under this act except in the case of companies covered in the third proviso of subsection (d), in the United States on the most recent December 31 for which information is available to it, and shall be so redetermined in a similar manner not less often than every 3 years or at any time that any participating company withdraws from participation.

(f) The Commission may at any time discontinue any policy or policies it has purchased from any insurance company.

SEC. 8. (a) Each policy or policies purchased under this act shall include, for the first policy year, basic tables of premium rates as follows:

(1) For group life insurance, a schedule of basic premium rates by age which the Commission shall have determined on a basis consistent with the lowest schedule of basic premium rates generally charged for new group life insurance policies issued to large employers, this schedule of basic premium rates by age to be applied, except as otherwise provided in this section, to the distribution by age of the amounts of group life insurance under the policy at its date of issue to determine an average basic premium rate per \$1,000 of life insurance, and

(2) For group accidental death and dismemberment insurance, a basic premium rate which the Commission shall have determined on a basis consistent with the lowest rate generally charged for new group accidental death and dismemberment insurance policies issued to large employers.

Each policy so purchased shall also include provisions whereby the basic rates of premium determined for the first policy year shall be continued for subsequent policy years, except that they may be readjusted for any subsequent year, based on the experience under the policy, such readjustment to be made by the insurance company or

companies issuing the policy on a basis determined by the Commission in advance of such year to be consistent with the general practice of life insurance companies under policies of group life and group accidental death and dismemberment insurance issued to large employers.

(b) Each policy so purchased shall include a provision that, in the event the Commission determines that ascertaining the actual age distribution of the amounts of group life insurance in force at the date of issue of the policy or at the end of the first or any subsequent year of insurance thereunder would not be possible except at a disproportionately high expense, it may approve the determination of a tentative average group life premium rate, for the first or any subsequent policy year, in lieu of using the actual age distribution. Such tentative average premium rate shall be redetermined by the Commission during any policy year upon request by the insurance company or companies issuing the policy, if experience indicates that the assumptions made in determining the tentative average premium rate for that policy year were incorrect.

(c) Each policy so purchased shall contain a provision stipulating the maximum expense and risk charges for the first policy year, which charges shall have been determined by the Commission on a basis consistent with the general level of such charges made by life insurance companies under policies of group life and accidental death and dismemberment insurance issued to large employers. Such maximum charges shall be continued from year to year, except that the Commission may redetermine such maximum charges for any year either by agreement with the insurance company or companies issuing the policy or upon written notice given by it to such companies at least 1 year in advance of the beginning of the year for which such redetermined maximum charges will be effective.

(d) Each such policy shall provide for an accounting to the Commission not later than 90 days after the end of each policy year, which shall set forth, in a form approved by the Commission, (1) the amounts of premiums actually accrued under the policy from its date of issue to the end of such policy year, (2) the total of all mortality and other claim charges incurred for that period, and (3) the amounts of the insurers' expense and risk charges for that period. Any excess of the total of item (1) over the sum of items (2) and (3) shall be held by the insurance company or companies issuing the policy as a special contingency reserve to be used by such insurance company or companies for charges under such policy only, such reserve to bear interest at a rate to be determined in advance of each policy year by the insurance company or companies issuing the policy, which rate shall be approved by the Commission as being consistent with the rates generally used by such company or companies for similar funds held under other group life insurance policies: *Provided*, That, if and when the Commission determines that such special contingency reserve has attained an amount estimated by it to make satisfactory provision for adverse fluctuations in future charges under the policy, any further such excess shall be deposited in the Treasury of the United States to the credit of the fund. If and when such policy is discontinued, and if after all charges have been made, there is any positive balance remaining in such special contingency reserve, such balance shall be deposited in the Treasury of the United States to the credit of the fund, subject to the right of the insurance company or companies issuing the policy to make such deposit in equal monthly installments over a period of not more than 2 years.

SEC. 9. The Commission shall arrange to have each employee insured under such policy receive a certificate setting forth the benefits to which the employee is entitled thereunder, to whom such benefits shall be payable, to whom claims should be submitted, and summarizing the provisions of the policy principally affecting the employee. Such certificate shall be in lieu of the certificate which the insurance company or companies would otherwise be required to issue.

SEC. 10. (a) The Commission is authorized to arrange with any nonprofit association of Federal employees for the assumption by the fund of any existing life insurance agreements of such association with its members retired or otherwise separated from the Federal service and to insure the obligations assumed with any company or companies meeting the requirements of section 7 (a).

(b) Any such arrangement shall provide that payments by such insured members for life insurance only shall thereafter be made at the same rates to the fund, under such conditions as the Commission may prescribe.

(c) Any such arrangement shall further provide that there be transferred to and deposited in the fund the lesser of the following amounts:

(1) The total assets of the life insurance fund of such association; or

(2) The amount required to meet the liabilities under life insurance agreements assumed, taking into account the payments as provided in paragraph (b). The determination of this amount shall be based on an actuarial valuation satisfactory to the Commission, procured by the association without expense to the Commission.

(d) The arrangements authorized by this section shall be made only with those associations which terminate life-insurance agreements with all of their members within 1 year after the date of enactment of this act, and such arrangements shall apply only to life insurance granted to any member by any such association before January 1, 1954.

(e) In any case in which the fund assumes a liability for life insurance as provided in this section in respect to a person who (1) subsequently becomes eligible to be insured as an employee under this act, and (2) does not give notice, as provided in section 5 (a), of his desire not to be so insured, the life insurance provided under this section shall terminate as of the date such person becomes insured as an employee.

SEC. 11. Except as otherwise provided herein, the Commission is hereby authorized to promulgate such regulations as may be necessary and proper to give effect to the intent, purposes, and provisions of this act.

SEC. 12. (a) There is hereby established an Advisory Council on Group Insurance consisting of the Secretary of the Treasury as Chairman, the Secretary of Labor, and the Director of the Bureau of the Budget, who shall serve without additional compensation. The Council shall meet once a year, or oftener at the call of the Commission, and shall review the operations of this act and advise the Commission on matters of policy relating to its activities thereunder.

(b) The Chairman of the Commission shall appoint a committee composed of five employees insured under this act, who shall serve without compensation, to advise the Commission regarding matters of concern to employees under this act.

SEC. 13. The Commission shall report annually to Congress upon the operation of this act.

SEC. 14. The district courts of the United States shall have original jurisdiction, concurrent with the Court of Claims, of any civil action or claim against the United States founded upon this act.

SEC. 15. The insurance provided by this act and the withholdings and contributions

for that purpose shall become effective when directed by the Commission.

The SPEAKER. Is a second demanded?

Mr. BYRNES of Wisconsin. I demand a second, Mr. Speaker.

The SPEAKER. Does any Member on the minority demand a second?

Mr. RAYBURN. I do not know anything about the bill, but I will demand a second to facilitate matters.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. RAYBURN. I am not.

The SPEAKER. Is the gentleman from Wisconsin opposed to the bill?

Mr. BYRNES of Wisconsin. I am not, Mr. Speaker.

Mr. CORBETT. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Without objection, a second is ordered.

The gentleman from Pennsylvania will be recognized for 20 minutes, and the gentleman from Texas [Mr. RAYBURN] will be recognized for 20 minutes.

Mr. CORBETT. Mr. Speaker, this bill, S. 3681, which was passed out of a Senate committee unanimously and by the Senate unanimously, came to this body and has been reported from the House Committee on Post Office and Civil Service with only 2 or 3 minor objections.

The bill is a matter of vital importance to 2,300,000 employees of the Federal Government. It was the subject of nearly 2 years study by a group of Federal executives including Hon. Marion B. Folsom, Under Secretary of the Treasury, and the Civil Service Commission, headed by Hon. Philip Young, Chairman.

This legislation will provide low-cost group life insurance to Federal employees in sums approximately their annual salary.

It authorizes a group-insurance program covering nearly all the civilian employees of the executive, legislative, and judicial branches of the United States Government and the municipal government of the District of Columbia.

The Civil Service Commission may, by regulations and after consultation with agency heads, exclude persons whose coverage would be administratively impracticable, such as seasonal employees in the Department of Agriculture and the Department of the Interior, as well as employees hired for a special job, such as employees in the postal service during the Christmas rush. Each eligible employee would be automatically covered unless he elects to the contrary.

Our committee in its report has emphasized that department and agency heads should point out to all present employees and new employees that this is term insurance as distinguished from ordinary life insurance.

Each covered employee would be insured for a sum equal to his annual compensation raised to the next higher multiple of \$1,000, with a maximum of \$20,000 in any case. Double indemnity and dismemberment insurance also attaches. The amount of insurance would

be reduced by 2 percent a month after the individual attains age 65, subject to a maximum reduction of 75 percent.

As his share of premium cost for all three types of insurance, there will be withheld from the employee's salary an amount not exceeding 25 cents biweekly for each \$1,000 of life insurance. The Government will contribute an amount not exceeding one-half the sum withheld from the employee. Payment of premiums would end at age 65, or earlier if the employee retires for disability or retires for other reason after at least 15 years' civilian service. Otherwise, separation from service would terminate the insurance, subject to a right of the employee to convert the insurance to an individual policy of life insurance under conditions approved by the Commission.

This is one of the important new proposals which provide necessary elements of a well-rounded personnel program for the Federal service, and that it carries out the plan outlined by the President in his message to the Congress of May 19, 1954.

Recognizing the special problems which exist because of the nature of the Federal service, the bill would adapt to the use of Government an administrative practice which has proved its value in progressive private business. Business has found that group insurance evidences the desire of management to help the employee in increasing his morale and work productivity. Government will derive the same advantages from the plan that are so widely acknowledged in the business world.

It is estimated that the total cost of this program will approximate \$70 million a year, and that the Government's one-third share will be about \$22,750,000. This will be the entire Government expenditure, with no additional appropriation for administrative expenses being necessary. The committee is assured and believes that total administrative cost will not exceed 2 percent of the total premium collected from the Government and from the employees.

This group-insurance program was originally proposed by the President in a special message to Congress. I repeat, it has the unanimous endorsement of the Senate committee and of the Senate, and there were only three votes against it in our committee and that was only because they wanted more opportunity to study it.

We should pass this bill now because of the tremendous interest in this program, because it has been approved by the Senate, because it has the favorable endorsement of the administration, and because of this startling fact, which should be of vital interest to the Members, namely: That upward of 1,000 Federal employees die every month. Their families and dependents are being deprived of this protection which they would get in private employment. That is not just.

I believe also that it goes without saying that this will be a beneficial program for the Government as well as the employees. It would be one more item tending to keep our employees satisfied and thereby reduce the cost of recruitment and training programs. Likewise

the following items should be stressed:

First. Group life insurance is an essential part of a well-rounded personnel program, designed to give the Federal service the employee appeal it must have to attract and hold highly qualified workers.

Second. Provision of this benefit will increase the employee's sense of family security and thereby contribute to better morale and increased productivity.

Third. It will be a deterrent to wasteful turnover, because it provides the inducement of continued participation in the plan with continued service.

Fourth. It will supplement the present benefits of the Employee Compensation Act and the various Government retirement systems.

Fifth. It will provide a means whereby disabled veterans and other physically handicapped persons now working for the Government, or entering Government service in the future, can obtain insurance they might otherwise not be able to get.

Mr. KEATING. Mr. Speaker, will the gentleman yield?

Mr. CORBETT. I yield.

Mr. KEATING. Mr. Speaker, I support this measure and am very pleased to see it before us. I don't believe anyone can disagree with the proposition that the men and women who are making their careers in the service of the Federal Government should be on an equal footing with people in private industry when it comes to employment benefits, such as retirement, health protection, and insurance advantages. In almost all of these areas, we have seen to it that there is no discrimination against the Federal worker. But this bill pertains to something that has so far been neglected. Group life insurance plans, available only to numerous persons such as an office or factory or industry group, have never been available to Federal employees.

My confidence and assurance regarding this bill is enhanced by the fact that it is very largely the work of a distinguished citizen of the city of Rochester in my district, now in Washington on leave from the Eastman Kodak Co., to serve as Under Secretary of the Treasury. The Honorable Marion B. Folsom has been studying this problem, and talking about it and recommending action by us for quite some time. It is he who has worked out the problems raised by such a proposal. And I am proud to make this acknowledgment to him as we consider the bill.

(Mr. KEATING asked and was given permission to revise and extend his remarks.)

Mr. ADAIR. Mr. Speaker, will the gentleman yield?

Mr. CORBETT. I yield to the gentleman from Indiana.

Mr. ADAIR. Could the gentleman inform us if this coverage is by private insurance companies?

Mr. CORBETT. Without exception. A formula is set up by which companies can qualify, and as to how the purchases will be prorated among companies so that none will have too large a risk or too great a share of the business. That is

all included in the bill. In other words, this is not an insurance program which will be underwritten by the Federal Government but is one which will be underwritten by recognized private insurance companies.

Mr. ADAIR. And will work through a number of privately owned and established insurance companies.

Mr. CORBETT. That is entirely correct.

Mr. BATES. Mr. Speaker, will the gentleman yield?

Mr. CORBETT. I yield.

Mr. BATES. The gentleman has mentioned the fact that upon retirement this insurance may be converted. I wonder if the gentleman would tell the House what the situation would be in the case of an employee who has had this insurance for 15 years and then for one reason or other leaves the Government service?

Mr. CORBETT. When an employee is separated from the service he loses the advantage of belonging to the group; hence is no longer covered. But he can convert it to ordinary regular life insurance and without a physical examination but at regular rates for an individual.

Mr. BATES. We understand, then, that an employee after 15 years service who has been under this plan can convert to ordinary insurance?

Mr. CORBETT. The gentleman is correct. I might make the general statement that anyone who has once been blanketed under the provisions of this act would be deprived of no proper benefits which were owing to him.

Mr. BATES. I am glad the gentleman said that, because people would be pretty well advanced in years and their premium rate would be pretty high. It would be pretty hard on them after having had this type of insurance for a great many years.

Mr. CORBETT. Here is where the employee does get a real marked advantage. There are many of them in advanced years who could not pass the physical examination required for an ordinary life insurance policy. This conversion privilege for separated employees will allow them to purchase regular insurance which they otherwise could not buy because of disabilities.

Mr. GOLDEN. Mr. Speaker, will the gentleman yield?

Mr. CORBETT. I yield to the gentleman from Kentucky.

Mr. GOLDEN. Will the gentleman tell us what the estimated cost to the Federal Government is?

Mr. CORBETT. The estimated cost during the first year of operation would be \$22 million. If the number of covered employees remains constant, the cost in succeeding years cannot be more than the \$22 million under the terms of the bill. It was believed by the experts who testified before our committee and the Senate committee that the cost would actually be reduced based upon favorable experience with the insurance plan. May I emphasize again, however, that it cannot be more under the terms of the bill than the initial cost planned for the first year.

Mr. GOLDEN. How do these premiums paid by the Federal employees under this bill compare with the premiums when you buy insurance from private companies?

Mr. CORBETT. I am happy that the gentleman asked that question because every bit of testimony and evidence that we can find indicates this will result in the finest term insurance that can be purchased anywhere in the world comparing costs and benefits.

Mr. PELLY. Mr. Speaker, will the gentleman yield?

Mr. CORBETT. I yield to the gentleman from Washington.

Mr. PELLY. Do I understand this insurance is voluntary on the part of Federal employees?

Mr. CORBETT. Any Federal employee who does not care to participate can be excluded from the fund by a simple written notice.

Mr. PELLY. Is there any assurance or reasonable expectation that the rates will not go up?

Mr. CORBETT. As I answered the gentleman from Kentucky the reasonable assurance is they will go down. Under the terms of the bill employees cannot be charged more than \$6.50 per thousand per year and the Government no more than \$3.25 per thousand per year.

Mr. PELLY. It certainly is a very low rate compared with any group insurance which I have ever heard of in private industry. It seems to me it is a marvelous thing for Federal employees.

Mr. CORBETT. The gentleman is right and it is only because of the great number involved that these low rates become possible.

Mr. RAYBURN. Mr. Speaker, I yield 10 minutes to the gentleman from Virginia [Mr. HARDY].

Mr. HARDY. Mr. Speaker, I would like to ask the gentleman from Pennsylvania [Mr. CORBETT] to answer a few questions for me. I notice there is a formula in the bill to provide for selecting the insurance companies. Can the gentleman tell me whether or not that formula is restrictive and how many companies now writing group insurance would be eligible for this business?

Mr. CORBETT. There are approximately 75 companies that can qualify.

Mr. HARDY. Seventy-five that would qualify under this formula?

Mr. CORBETT. That is right and the formula goes on further, as will be noted, to set up provisions that no one company can get any more than a fair proportion of the total volume. That formula is extremely involved.

Mr. HARDY. I cannot understand it. I thought it might be limited to 3 or 4 different companies.

Mr. CORBETT. No; it is just the reverse. The whole formula is designed to make any company that can handle the load on this eligible; in fact, it was designed in such a way that some of the present associations of Federal employees that have insurance programs would be eligible to sell this type of insurance. Well over 75 companies meet the test, and nationwide representation in the program would thus be possible.

Mr. HARDY. I cannot be sure of my information, but I was informed about a week ago that the terms of this bill were so restrictive that actually there would not be more than 4 or 5 companies that would get any appreciable business from it.

Mr. CORBETT. The experts and Mr. Folsom assured us that that was absolutely in error, and we accept their word as to that.

Mr. HARDY. I certainly hope that is the case. Now, as to some details: There is a provision in the bill that calls for a reduction in the amount of insurance by 2 percent a month after an individual reaches the age of 65.

Mr. CORBETT. Yes. That is strictly to make it actuarially sound, so that as time goes on and the demands, possibly, from the man's family, or the employee's family, are tending to reduce, the liability of the insuring company is reduced, and I think the gentleman will find that that is in exact accord with these group-insurance programs.

Mr. HARDY. That relates to the employee who is still employed at the age of 65?

Mr. CORBETT. That is correct.

Mr. HARDY. So, if he is employed at the age of 65, for each full year of employment after 65 his policy is reduced by what percent?

Mr. CORBETT. By 2 percent a month for each month he is over 65, down to a minimum of 25 percent.

Mr. HARDY. So that if he reaches the age of 68 he has only 25 percent as much coverage as he had at 65?

Mr. CORBETT. That is approximately correct.

Mr. OLIVER P. BOLTON. Mr. Speaker, if the gentleman will yield, I think he pays no premiums after the age of 65.

Mr. HARDY. I am talking about terms of recovery. Let us pursue that a bit further. If you can clear this up, I will be delighted.

Mr. CORBETT. Of course, we expect that most of these employees are going to take advantage of their retirement situation at the age of 65, and the gentleman must recognize that this plan has got to be kept actuarially sound.

Mr. HARDY. Of course, I agree that the plan must be actuarially sound. As a matter of fact, it is based on average age, anyhow; is that not correct?

Mr. CORBETT. That is correct.

Mr. HARDY. So, so far as actuarial soundness is concerned, if we wanted to extend it to 70, all you would have to do would be to increase the premium a little.

Mr. CORBETT. That is possible, but remember over 65 he pays no premium at all. This is term insurance, and most term insurance ceases entirely at that age. Here we are starting on a new program. It has been worked over in the light of experience of other large groups, and I would certainly expect that as the years went on and experience has been gathered with this program that we will find ways to improve it.

Mr. HARDY. Let me inquire further. What provision is made for reducing the amount of deduction? I notice it is provided that as much as \$6.50 a thousand may be deducted from the individual's pay, and that may be increased

by half as much more by contributions on the part of Uncle Sam.

Mr. CORBETT. What is the gentleman's question?

Mr. HARDY. I want to know what provision there is for reducing that premium payment.

Mr. CORBETT. There is no provision for reducing it. The express hope and prediction was that because of the large expected participation that advantages would accrue that would permit reducing the premiums or increasing the benefits.

Mr. HARDY. Now, speaking in terms of expected participation, can the gentleman tell us what is the average age of Federal employees at the present time?

Mr. CORBETT. The average age of employees at the present time? I cannot answer that, sir.

Mr. HARDY. Of course, the gentleman knows that the rates for group insurance are based on average age, is that not correct?

Mr. CORBETT. I certainly know that is correct, and I think the gentleman also knows that this plan was worked out by insurance experts, not by the committee, and obviously we have to follow the advice of experts in matters of this kind.

Mr. HARDY. I might point out this one aspect of it. I have not had the opportunity to get a great deal of information on it, but I have been told that the average age of Federal employees is about 40. Does the gentleman know whether that is fairly accurate?

Mr. CORBETT. I could not answer that. I think it would require some little research to dig out that information. It seems to me that the average age might be even higher than that.

Mr. HARDY. It might be. I do not know. I have been told that the average age was about 40, and that the experience of the Veterans' Administration with its insurance is that at age 40 pure insurance costs runs a little under \$4 per thousand.

Mr. CORBETT. Let us accept the gentleman's figure. What would be the point?

Mr. HARDY. The point that I was raising is this: Six dollars and fifty cents per thousand sounds to me like a pretty expensive rate, based on the average age of Federal employees, and it seems that the total premium will be \$9.75 when the Government's participation is added.

Mr. CORBETT. I would have to repeat to the gentleman the statement that this is probably the lowest cost term insurance that is purchasable anywhere in the world.

Mr. HARDY. That may or may not be. The only comparison we could have in governmental experience would be United States Government life insurance and national service life insurance, which, I believe, at the age of 40, would show a pure insurance cost of less than \$4 a thousand, if you are taking average age. There is no administrative expense involved in that figure; I do not want to be misunderstood. But I think the gentleman should also bear in mind that there would be no selling expense entailed in this program.

Mr. CORBETT. There would be absolutely no selling expense and no commissions paid.

Mr. HARDY. It seems to me that we do not yet have all of the answers that we ought to have. I should like to ask one other question, if the gentleman would be good enough to yield further. At age 65 suppose an employee retires; his insurance, at the time he separates from the service lapses unless he undertakes to continue it; is that correct?

Mr. CORBETT. At retirement, the insurance continues in force without further payment of premiums. It does not lapse and the employee is not required to make any additional payments. If the employee, as you state, however, is 65 years of age, the face value of the policy of course is reduced by 2 percent a month, but the employee will receive at least 25 percent of the face value. At this point I might say that in other cases of regular retirement, where the employee goes from employment to retirement, his policy will continue in force at the full face value until he reaches 65. Where the employee is retired before age 65 for disability, or on immediate annuity if he has at least 15 years' service, it will continue at face value until he reaches the age of 65 at which time, in both cases of course, it will become subject to the 2 percent per month reduction factor.

Mr. HARDY. Does he have the option of maintaining 100 percent of his coverage by paying additional premiums?

Mr. CORBETT. Presently, no.

Mr. HARDY. So that, regardless of what happens, when he retires after he reaches age 68, he has only 25 percent coverage; is that correct?

Mr. CORBETT. That is approximately correct. It is reduced by 24 percent a year, and at 68 he would have 28 percent remaining.

Mr. HARDY. I thank the gentleman.

Mr. H. CARL ANDERSEN. Mr. Speaker, will the gentleman yield?

Mr. CORBETT. I yield to the gentleman from Minnesota.

Mr. H. CARL ANDERSEN. I note on page 2 that the cost to the taxpayers under this particular bill would be \$22,750,000 a year; that is correct?

Mr. CORBETT. That is the cost the first year. It is assumed that the cost the first year would be higher than in any subsequent year.

Mr. H. CARL ANDERSEN. Are we justified in giving a special privilege to a group of people, these Federal workers, including ourselves, by voting out a bill of this nature? Does not this go along the line of socialized insurance? I have always objected to socialized medicine.

Mr. CORBETT. I should like to say to the gentleman that I cannot see how anyone can call this socialized insurance. The business is done through private companies. If this is socialized insurance, then the United States Steel Corp., the Westinghouse Corp., the Gulf Oil Co., and all the rest of these large companies are guilty of having socialized insurance for their employees. I think I ought to say this further to the gentleman—

Mr. H. CARL ANDERSEN. Will the gentleman further explain that cost item of \$22,750,000?

Mr. CORBETT. If the gentleman will allow me to finish the thought I had started to express, I would say to the gentleman that this is a right, a protection, which is given to practically every workingman in America who is engaged in an industry that employs large enough groups to have this sort of plan.

Mr. H. CARL ANDERSEN. I have no objection to the plan in itself, but I do question it from the viewpoint of the contribution by our taxpayers to it.

Mr. CORBETT. This figure I think is very significant. A total of 85,000 American firms and organizations are sponsoring this type of insurance for their members. As of December 31, 1952, 37 million persons were covered by group life-insurance policies, aggregating a face value of \$70 billions. In fact, I think it has been a very lamentable fact that we have not had the wisdom to grant this type of insurance to our employees long ago.

So far as allowing all the members of the legislative, judicial, and executive branches to participate is concerned, the more who do participate the greater the benefits can be, and the cheaper the cost to each individual.

Mr. H. CARL ANDERSEN. I have no objection to the members of the legislative and judicial branches and others joining in if the bill is to be adopted. My objection is basically as to whether or not we are justified in voting ourselves what appears to me to be a little bonus through the back door of this bill. It is cheap insurance.

Mr. CORBETT. That is a matter for the gentleman's own individual judgment. Some of us here feel that we have been highly unfair to our employees in not giving them the opportunity to purchase this type of insurance. Therefore we think that by any delay in passing this bill we are doing an injustice to the families of the thousand persons in the Federal employ who are dying each month.

Mr. H. CARL ANDERSEN. May I ask the gentleman a further question?

Mr. CORBETT. Mr. Speaker, how much time have I remaining?

The SPEAKER. The gentleman from Pennsylvania has 8 minutes remaining and the gentleman from Texas [Mr. RAYBURN] has 10 minutes remaining.

Mr. CORBETT. The gentleman from Pennsylvania will be very happy to yield further to the gentleman from Minnesota.

Mr. H. CARL ANDERSEN. As I have asked the gentleman, will he go a little further into this insurance cost to the taxpayers of \$22,750,000 a year? Are we justified in throwing that load onto the taxpayers for the insuring of Federal employees?

Mr. CORBETT. I want to answer the gentleman's question in the same words that I answered it a moment ago, namely, that we are not justified in withholding this type of insurance from the Federal employees. Here we have a definite competition with all private industries. I repeat, 37 million American employees have this opportunity. They are participating in group life insurance totaling \$70 billion.

I may say to the gentleman that it is inconceivable to me that we should not with our own employees give them an opportunity to protect their families. There must be literally tens of thousands of our employees who cannot qualify for any kind of insurance. It is entirely just that the Government expend this very modest amount, far less than we put into certain projects that may never yield a dime, \$22 million that will do so much for 2,300,000 of our employees and their families. And we certainly ought to more than make up the money in reduced recruitment and training operations.

I wish the gentleman would search his mind. I think he could vote for this.

Mr. BROWNSON. Mr. Speaker, will the gentleman yield?

Mr. CORBETT. I yield to the gentleman from Indiana.

Mr. BROWNSON. Mr. Speaker, I am surprised at the violent reaction with which this discussion of group insurance placed with private companies for the protection of Federal workers has brought forth today.

In my own small business employing about 15 people we have offered group life insurance to all employees since way back in 1936 and in other small business organizations with which I have been associated, this protection was extended many years before social security was thought of. All of the plans in private industry provide for contributions by the employee and employer and most of them have placed the insurance with private insurance companies. Since this is essentially the program we are discussing here today for Federal employees, it would seem to me that this is another example where our Government might well profit by the experience of business and industry in personnel relations.

Mr. CORBETT. Is the gentleman telling me that this is certainly modern personnel management practice?

Mr. BROWNSON. This is simply the type of fringe benefit that private industry has used for the last 30 years, to my knowledge, in its personnel practices.

Mr. CORBETT. I think the gentleman has made a fine contribution to this discussion.

Mr. RAYBURN. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. KLEIN].

Mr. KLEIN. Mr. Speaker, may I say to the gentleman from Pennsylvania that I commend him and the committee on bringing this type of legislation out. As a former Federal employee, I have been somewhat alarmed at what has been going on in the civil service. We have cut down on the annual leave of our Federal employees and many other benefits they have had. This type of benefit is something that has been long overdue. As the gentleman pointed out, almost every large industry in this country has a plan similar to this for its employees. The Federal Government is losing its employees because, for one thing, they are not paid as well as in private industry. They have no unemployment insurance and they have few other benefits that employees in private industry have. This is the least we can do for

them. I think we ought to do more. May I bring out one more point to the gentleman from Minnesota? He seems to be alarmed over the fact that we are including ourselves—I think he called it a bonus—in this legislation. What is wrong with that? I think we need it. I would like to have the gentleman tell me what his position would be if we had a pay raise bill here, as I think we should have. I think more of us ought to be able to stand up and have the courage to do for ourselves what we think should be done, and not be so fearful of the results. I am certain our constituents would approve.

Mr. H. CARL ANDERSEN. Mr. Speaker, will the gentleman yield?

Mr. KLEIN. I yield to give the gentleman an opportunity to say how he would vote, if we had a pay raise bill before us.

Mr. H. CARL ANDERSEN. Thank you, sir. As the Representative of one of the greatest agricultural congressional districts in America, I would feel that this year, as long as the Congress has cut down price-support protection to the farmers of the United States, I certainly could not vote myself any possible increase either in salary or in insurance benefits as in this particular legislation.

Mr. KLEIN. I am glad the gentleman has made his position clear. I would like to remind him, however, that there is no compulsion about it. Neither he nor any other Member is compelled to take the increase. If they do not want it, they can leave it in the Treasury, but I am certain the gentleman, just as every other Member should, would avail himself of whatever benefits were to be had.

Mr. BROYHILL. Mr. Speaker, I sincerely urge that the House act favorably on this legislation providing for group life insurance for Federal employees.

This measure is recommended and supported by the President and the Bureau of the Budget and is a vital part of an overall plan to improve working conditions and job benefits for Uncle Sam's workers. This program is essential if we are going to adequately compete with private industry in obtaining and retaining the highest quality of personnel. We all know and realize, in order to have the highest efficiency and the greatest economy in our Federal operations, we must have a high level of morale and security for our employees.

It would be most difficult to measure the cost of this insurance program by mere dollars and cents outlay. On the contrary, it must be considered in connection with an effort to increase the efficiency and morale of the Federal service. This insurance program is no more liberal than what is now provided for the employees of thousands of private industries. The Federal Government is just late in recognizing their responsibilities toward their employees. This program has been thoroughly studied and worked out by the administration as well as the House Post Office and Civil Service Committee. There should be no objection to it and I hope that the House of Representatives will pass it by an overwhelming margin.

The SPEAKER. The question is on the suspending of the rules and passing the bill.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

Mr. CORBETT. Mr. Speaker, I ask unanimous consent that all Members may extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

NORTH UNIT IRRIGATION DISTRICT HAYSTACK RESERVOIR ON THE DESCHUTES FEDERAL RECLAMA- TION PROJECT

Mr. MILLER of Nebraska. Mr. Speaker, I move to suspend the rules and pass the bill (S. 2864) to approve an amendatory repayment contract negotiated with the North Unit irrigation district, to authorize construction of Haystack Reservoir on the Deschutes Federal reclamation project, and for other purposes.

The Clerk read the bill, as follows:

Be it enacted, etc., That the contract with the North Unit irrigation district in form substantially similar to that approved by the district directors on July 31, 1953, which has been negotiated by the Secretary of the Interior pursuant to section 7, subsection (a), of the Reclamation Project Act of 1939 (53 Stat. 1187, 1192; 43 U. S. C., 1946 edition, sec. 485), is approved and the Secretary of the Interior is authorized to execute it on behalf of the United States.

SEC. 2. The Secretary is authorized to construct the Haystack Dam and equalizing reservoir and related works as a feature of the Deschutes Federal reclamation project at a cost not in excess of an amount which, together with other project costs reimbursable and returnable to the United States pursuant to the terms and provisions of the contract approved by section 1 of this act, does not exceed the maximum construction charge obligation of the North Unit irrigation district.

The SPEAKER. Is a second demanded?

Mr. GAVIN. Mr. Speaker, I demand a second.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. GAVIN. I am definitely opposed to the bill, Mr. Speaker.

The SPEAKER. Is any Member on the minority side opposed to the bill? [After a pause.] If not, without objection a second is considered as ordered.

There was no objection.

Mr. GAVIN. Mr. Speaker, I yield myself such time as I may require.

(Mr. GAVIN asked and was given permission to revise and extend his remarks.)

Mr. GAVIN. Mr. Speaker, this bill, S. 2364, has to do with a project known as the Haystack Reservoir. This is a bill to authorize the construction of a reservoir on a Federal reclamation project and for other purposes. I might call the attention of the House to the fact that this great Government of ours has been trying to effect economies and

reduce expenditures and balance the budget; and just the other day, the gentleman from Oregon had a \$22 million reclamation and irrigation project before us. That is the Talent project, and now again they are back here today with another \$12 million reclamation and irrigation project. I presume that the gentleman from Oregon has many other projects in mind, but it would appear not to be good judgment to bring them out more than one at a time. But nobody seems to pay much attention to these programs. I just became a little interested in these many projects.

You will notice the report is in very small print. When a Member comes to the floor he secures a copy of the bill and report, but the small print is usually so difficult to read that he usually pays little attention to it. Therefore, I have selected from the report what I thought would be the significant parts so that I could call them to the attention of the House. Action is entirely up to the House on projects of this kind.

However, if you want to spend the American taxpayers' money in this manner, it is \$12 million worth. In fact, according to the report, 174 people are involved in the area. Only 174 people are involved in the \$12 million project. However, it is my opinion that while we have this great overproduction of foodstuffs and hundreds of thousands of acres have been taken out of production, it does not make sense to develop more programs, spend more of the taxpayers' money to put more acreage back into production, whether it is for irrigation or land reclamation, or whatnot.

I think these programs should be held in abeyance until such time as the demands are evident of the need for more land producing more foodstuffs.

This is a project where only 174 people are concerned. It is going to cost \$12 million. This bill before you would authorize the Secretary of the Interior to execute an amendatory repayment contract with the North Unit Irrigation District, an organization formed under Oregon laws, and represents water users on an irrigated area of 50,000 acres. That is what is involved for \$12 million—174 people and 50,000 acres.

The organization to which they refer, as I stated, represents, according to the report, 174 people. The Federal Government would be laying out cash on the barrel head, \$12 million to irrigate and improve the land of 174 people. That seems to me to be a very high cost. I wonder if any other 174 people any place in the United States would get any consideration for this kind of a project, involving only that number of people. Originally it was proposed that this \$12 million would be paid back in a 50-year period, but I note from the report that it is now to be paid back in 78 years. In fact, there were 4 or 5 bills here today on the Consent Calendar on these same kinds of projects, all of which with a period of 50 years were requested to be extended—amortized for 75 years or more. If they go up to 78 years they may go up to 100 years. Why not make it in perpetuity, take a little here and a little there when the

Government may get it. Nobody seems to pay any attention to these contracts.

This one, along with the \$12 million to improve the land, they want the time limit raised from 50 years to 78 years. Why not make it 100?

I as my friends, while Secretary Benson is restricting farm acreage, why should it be necessary at this time for the Congress to authorize a project that would cost in the neighborhood of \$12 million for 174 people who now request that the loan be extended for 78 years; it would not be paid back for the next several generations. Certainly we have sufficient land in production, and we are flooding out land in many projects, a lot of good land that could be utilized.

I just want to say to the membership that no banker in his right mind would entertain such a loan on a 78-year basis. But apparently my friends from Oregon—and they are my friends and have been for many years—believe it is all right for Uncle Sam to handle a loan for \$12 million on a 78-year basis. I wonder if many of the bankers out in Oregon would entertain a loan on a reclamation or irrigation project on a 2½-percent amortization basis for 78 years? Certainly not. And that is the trouble and the reason why this country of ours is in the condition that it is today. It is just a multiple number of projects of a similar nature of this kind that is breaking the back of the American taxpayer and placing a terrific burden on our people.

Mr. ENGLE. Mr. Speaker, will the gentleman yield?

Mr. GAVIN. After a bit. For once I have 20 minutes at my disposal.

Mr. ENGLE. The gentleman ought to be willing to yield 20 seconds.

Mr. GAVIN. Certainly there is not any Member of this House who would even consider asking any banking group to entertain a proposal such as is presented to us here—78 years, \$12 million loan. That is along the line of the 5 bills here today, to 1 of which I objected. They were 50-year programs and they asked that they be extended to 75 years. This sounds unreasonable.

Mr. MILLER of Kansas. Mr. Speaker, will the gentleman yield for a question?

Mr. GAVIN. I will be glad to a little later. In looking over the report I find a letter under date of June 17, 1954, from Donald R. Belcher, Assistant Director of the Bureau of the Budget, addressed to the chairman of the Senate Committee on Interior and Insular Affairs. It states in part:

The proposed amendatory contract which would be approved by enactment of S. 2864 would relieve financial difficulties of the North Unit Irrigation District by extending the present irrigation repayment contract period from 40 years to a base period of 78 years, with provision for variable annual repayments to reflect land capabilities and economic conditions.

Sounds good. But in any event the average taxpayer pays the bill. But let us not be fooled by these words, because you are going to put up \$12 million here today for 174 people to irrigate some 50,000 acres.

Mr. MILLER of Nebraska. Mr. Speaker, will the gentleman yield?

Mr. GAVIN. Not at this time.

Mr. MILLER of Nebraska. The gentleman is in error.

Mr. GAVIN. I am taking this from the report.

Mr. MILLER of Nebraska. The gentleman is in error.

Mr. GAVIN. Mr. Speaker, I decline to yield at this time. The print is so small and I do not want it to be trying for the Members to read it, so I am bringing it to your attention. This is from the report.

There is another letter under date of June 4 of this year to the Secretary of the Interior, from which I quote in part:

The proposed new repayment contract which would be approved under S. 2864 would remedy the present financial difficulties of the district by extending the present repayment period from 40 years to a base period of 78 years, with an added provision for variable annual payments to reflect land capabilities and economic conditions.

The annual cost, including operation and maintenance and replacements, is estimated to average \$60,000, based on amortizing construction costs in 50 years at 2½ percent.

The Department further recommends that such a study be undertaken subsequent to the authorization of the project.

Under the proposed amendatory contract, the maximum obligation of the district would be \$12,130,000, consisting of \$10,530,000 for the irrigation facilities constructed during the period from about 1938 to 1949, and \$1,600,000 for the proposed Haystack equalizing reservoir and its appurtenant works.

It states further:

Under adverse economic conditions, it is possible that the repayment period would be extended many years beyond the 78-year base period.

Why extend it? Why not write it off, take our loss and call it a day, without further extension?

It is further stated in this letter:

Conversely, with favorable economic conditions, the repayment period could be less than 78 years.

But if you had a bad economic situation it might be up to 100 years. Continuing the letter:

While the Bureau of the Budget, in general, does not approve of extending irrigation repayment contracts over unrealistically long periods of time, in consideration of the financial difficulties and special circumstances connected with the Deschutes, north unit project, and on the basis that a precedent is not established, there would be no objection to amending the existing contract to provide for the longer repayment period.

However, let me point out at this time that in my opinion a precedent is being established:

In addition the Bureau of the Budget believes that under present conditions a reasonable repayment period for Federal irrigation projects should be the useful economic life but not longer than 50 years following completion of construction exclusive, where applicable, of a development period not exceeding 10 years.

But that is not what they want to do here. They want 78 years. They might have made it 88 or 98 years.

That is what they think it ought to be, and if they want to borrow \$10 mil-

lion on a 10-year basis, that is all right; but when you get into more than 50 years and it is questionable whether or not it can be repaid, I think the Government ought to stay out of that kind of loan business.

The letter states further:

We also believe that, in view of the decision by local interests to construct a system for supplying water for domestic, livestock, and municipal purposes at a cost of about \$3½ million, without Federal assistance, careful consideration should be given to having local interests construct the Haystack equalizing reservoir financed partly with revenues collected by a conservancy district on the basis of the public and secondary benefits and the balance by the water users.

Now, that makes sense to me, that the people out in the area themselves develop a program by which they can finance their own operation, and if there is so much profit in this irrigation business out there as they say and they assure us it is going to be paid back in 78 years, let them finance it themselves and not ask the American taxpayers to finance it.

In another letter under date of June 15 from Fred G. Aandahl, Acting Secretary of the Interior, to the chairman of the Senate Committee on Interior and Insular Affairs, part of which I quote, it is stated:

Under the contract the maximum repayment obligation of the district will be \$12,130,000.

The proposed plan for repayment of this obligation is basically the normal and percentage variable plan provided by the Reclamation Project Act of 1939, using as the base annual installment the sum of \$136,500 until the 50th year following the year, as announced by the Secretary, in which the project is served by an adequate domestic water system. Thereafter, the base annual installment will be \$193,800.

The water users of the North Unit Irrigation District have approved execution of the enclosed contract by a vote of 155 to 19.

In a letter dated June 4, the Bureau of the Budget has recommended that consideration be given to the formation of a conservancy district in connection with the North Unit lands and that provision be made for amortizing the cost of Haystack Reservoir over a period of 50 years or less. The Bureau of the Budget has also advised that no commitment can be made as to when funds will be available for construction of Haystack. A copy of the Bureau of the Budget's letter is attached. We recommend that your committee give consideration to its suggestions and that the bill, with such amendments as are called for in the circumstances, be enacted.

Now, I could continue this discussion, but let me say that I think the time has come in this Congress that we look these matters over carefully. In the past usually these bills have been brought in here about 4:30 in the afternoon; there is only a handful of Members on the floor, or under unanimous consent or suspension of the rules they are passed quickly. But, from now on I think we should be watching all of them, because I think the Members of the Congress representing the American people should see that we protect their interests and that we get value received for every dollar that the Government is requested to invest.

Mr. EBERHARTER. Mr. Speaker, will the gentleman yield?

Mr. GAVIN. I yield to the gentleman from Pennsylvania.

Mr. EBERHARTER. Then the gentleman thinks that this is a matter important enough that the opposition to it should have more than 20 minutes in order to present the true picture to the Congress who have to vote on the subject.

Mr. GAVIN. I would be glad if the gentleman would ask unanimous consent that the time be increased to discuss this matter.

Mr. EBERHARTER. In answer to the gentleman I might say that unanimous consent would not lie because it is under suspension of the rules. In other words, we are cut down to 20 minutes if we are opposed to the proposition.

Mr. GAVIN. I might say to my good friend from Allegheny County, in summing up what I have to say in 20 minutes allocated to me is this: I think it is an unwise, unsound investment of \$12 million of American taxpayers' money to irrigate 50,000 acres of land involving 174 people. I think it is too costly a proposition and I think the bill should be voted down, as well as all of the rest of projects of a similar nature. Let me ask my friends from the Northwest, would you consider going to a group of bankers in the Northwest and ask them to finance a \$12 million project on a 2½ percent basis for 78 years, because in 78 years is a long time?

Mr. MILLER of Nebraska. Mr. Speaker, will the gentleman yield?

Mr. GAVIN. I yield to the gentleman from Nebraska.

Mr. MILLER of Nebraska. The gentleman has been in error so many times, at which time I tried to get him to yield and correct him. \$10,530,000 has been already allocated by the Congress years ago, and this bill only carries \$1,600,000 for a new reservoir, for new water for this irrigation project, so that the gentleman has been in error.

Mr. GAVIN. No; I am not in error.

Mr. MILLER of Nebraska. It is not \$12 million of new money.

Mr. GAVIN. The whole project will cost \$12,130,000, whether you got the money in 1939 or you get it in 1954. That is what is involved.

Mr. Speaker, I ask that this legislation be voted down.

(Mr. GAVIN asked and was given permission to revise and extend his remarks.)

Mr. MILLER of Nebraska. Mr. Speaker, I yield such time as he may desire to the gentleman from New Mexico [Mr. DEMPSEY].

[Mr. DEMPSEY addressed the House. His remarks will appear hereafter in the Appendix.]

[Mr. MILLER of Nebraska addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. ENGLE. Mr. Speaker, the case boils down to this. Those people owe a certain amount of money. They cannot pay it in 40 years. The bill extends the pay-out period to, I believe, 78 years. If they cannot pay out in 40 years, isn't it better for them to pay back in 78 years than for the Government to get nothing at all? There is involved here the ques-

Public Law 598 - 83d Congress
Chapter 752 - 2d Session
S. 3681

AN ACT

To authorize the Civil Service Commission to make available group life insurance for civilian officers and employees in the Federal service, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Employees' Group Life Insurance Act of 1954."

SEC. 2. (a) Except as provided in (b) of this section, each appointive or elective officer or employee (hereinafter called employee) in or under the executive, judicial, or legislative branch of the United States Government, including a Government owned or controlled corporation (but not including any corporation under the supervision of the Farm Credit Administration of which corporation any member of the board of directors is elected or appointed by private interests), and of the municipal government of the District of Columbia shall, at such time and under such conditions of eligibility as the Civil Service Commission (hereinafter called the Commission) may by regulation prescribe, come within the purview of this Act. Such regulations may provide for the exclusion of employees on the basis of the nature and type of employment or conditions pertaining thereto such as, but not limited to, short term appointments, seasonal or intermittent employment, part-time employment, and employment of like nature, and shall be issued only after consultation with the head of the department, establishment, agency, or other employing authority concerned: *Provided*, That no employee or group of employees shall be excluded solely on the basis of the hazardous nature of employment.

(b) This Act shall not apply to noncitizen employees whose permanent duty station is located outside a State of the United States or the District of Columbia, nor shall it apply to commissioned officers and enlisted personnel on active duty in or with the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States, who have indemnity coverage under the Servicemen's Indemnity Act of 1951 (65 Stat. 33).

SEC. 3. (a) Each employee to whom this Act applies shall be eligible to be insured for an amount of group life insurance approximating his annual compensation not exceeding \$20,000 plus an equal amount of group accidental death and dismemberment insurance, in accordance with the following schedule:

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death and dismemberment insurance shall be—
Greater than	But not greater than		
0	\$1,000	\$1,000	\$1,000
\$1,000	2,000	2,000	2,000
2,000	3,000	3,000	3,000
3,000	4,000	4,000	4,000
4,000	5,000	5,000	5,000
5,000	6,000	6,000	6,000
6,000	7,000	7,000	7,000
7,000	8,000	8,000	8,000
8,000	9,000	9,000	9,000
9,000	10,000	10,000	10,000
10,000	11,000	11,000	11,000
11,000	12,000	12,000	12,000
12,000	13,000	13,000	13,000
13,000	14,000	14,000	14,000
14,000	15,000	15,000	15,000
15,000	16,000	16,000	16,000
16,000	17,000	17,000	17,000
17,000	18,000	18,000	18,000
18,000	19,000	19,000	19,000
19,000	-----	20,000	20,000

Accidental death and dismemberment payments.

(b) Subject to the conditions and limitations of the policy or policies purchased by the Commission under this Act, as may be approved by the Commission, the group accidental death and dismemberment insurance shall provide payments as follows:

Loss	Amount payable
For loss of life.	Full amount shown in the schedule in (a) of this section.
Loss of one hand or of one foot or loss of sight of one eye.	One-half the amount shown in the schedule in (a) of this section.
Loss of two or more such members.	Full amount shown in the schedule in (a) of this section.

For any one accident the aggregate amount of group accidental death and dismemberment insurance that may be paid shall not exceed the amount shown in the schedule in (a) of this section.

Compensation conversion to annual rates.

(c) The Commission shall by regulation provide for the conversion of other than annual rates of compensation to an annual basis, and shall further specify the types of compensation to be included in annual compensation.

Insurance after 65.

(d) Each of such amounts of insurance shall be reduced by 2 per centum thereof at the end of each full calendar month following the date the employee attains age sixty-five, subject to minimum amounts prescribed by the Commission, but not less than 25 per centum of the insurance in force immediately preceding the first reduction provided herein: *Provided*, That the amounts of insurance in force from time to time on an employee who becomes insured under this Act after having attained the age of sixty-five shall be the same as would be in force had he been insured at age sixty-five, and shall be based on the lesser of his annual compensation (1) at the time he becomes so insured, or (2) at age sixty-five, provided he was eligible at that time to be insured under this Act.

68 Stat. 737.
68 Stat. 738.

Death claims, payment.

SEC. 4. Any amount of group life insurance and group accidental death insurance in force on any employee at the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or persons surviving at the date of his death, in the following order of precedence:

Order of precedence.

First, to the beneficiary or beneficiaries as the employee may have designated by a writing received in the employing office prior to death;

Second, if there be no such beneficiary, to the widow or widower of such employee;

Third, if none of the above, to the child or children of such employee and descendants of deceased children by representation;

Fourth, if none of the above, to the parents of such employee or the survivor of them;

Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such employee;

Sixth, if none of the above, to other next of kin of such employee entitled under the laws of domicile of such employee at the time of his death.

If any person otherwise entitled to payment under this section does not make claim therefor within one year after the death of the employee, or if payment to such person within that period is prohibited by Federal statute or regulation, payment may be made in the order of precedence as if such person had predeceased the employee, and any such payment shall be a bar to recovery by any other person.

Withholding of premium cost from salary.

SEC. 5. (a) During any period in which an employee under age sixty-five is insured under a policy of insurance purchased by the Commission as authorized in section 7 of this Act, there shall be withheld from each salary payment of such employee, as his share of the

cost of his group life and accidental death and dismemberment insurance, an amount determined by the Commission, but not to exceed the rate of 25 cents biweekly for each \$1,000 of his group life insurance: *Provided*, That an employee who is paid on other than a biweekly basis shall have an amount so withheld, determined at a proportionate rate, which rate shall be adjusted to the nearest cent.

Any policy of insurance purchased by the Commission as authorized in section 7 of this Act shall provide that all employees eligible under the terms of this Act will be automatically insured thereunder commencing on the date they first become so eligible: *Provided*, That any employee desiring not to be so insured shall, on an appropriate form to be prescribed by the Commission, give written notice to his employing office that he desires not to be insured. If such notice is received before the employee shall have become insured under such policy, he shall not be so insured; if it is received after he shall have become insured, his insurance under the policy will cease effective with the end of the pay period during which the notice is received by the employing office.

Automatic insurance.

Notice of desire not to be insured.

(b) For each period in which an employee is insured under a policy of insurance purchased by the Commission as authorized in section 7 of this Act, there shall be contributed from the respective appropriation or fund which is used for payment of his salary, wage, or other compensation (or, in the case of an elected official, from such appropriation or fund as may be available for payment of other salaries of the same office or establishment) a sum computed at a rate determined by the Commission, but not to exceed one-half the amount withheld from the employee under this section.

Government contribution.

68 Stat. 738.
68 Stat. 739.

(c) The sums withheld from employees under subsection (a) and the sums contributed from appropriations and funds under subsection (b) shall be deposited in the Treasury of the United States to the credit of a fund which is hereby created. Said fund is hereby made available without fiscal year limitation for premium payments under any insurance policy or policies purchased as authorized in sections 7 and 10 of this Act, and for any expenses incurred by the Commission in the administration of this Act within such limitations as may be specified annually in appropriation acts: *Provided*, That appropriations available to the Commission for salaries and expenses for the fiscal year 1955 shall be available on a reimbursable basis for necessary administrative expenses of carrying out the purposes of this Act until said fund shall be sufficient to provide therefor. The income derived from any dividends or premium rate adjustments received from insurers shall constitute a part of said fund.

Deposits; fund.

Administrative expenses of Commission.

Dividends or rate adjustments.

SEC. 6. Each policy purchased under this Act shall contain a provision, in terms approved by the Commission, to the effect that any insurance thereunder on any employee shall cease upon his separation from the service or twelve months after discontinuance of his salary payments, whichever first occurs, subject to a provision which shall be contained in the policy for temporary extension of coverage and for conversion to an individual policy of life insurance under conditions approved by the Commission, except that if upon such date as the insurance would otherwise cease the employee (a) retires on an immediate annuity, and (b) unless retired for disability, has had fifteen years of creditable civilian service, as determined by the Commission, his life insurance only may, under conditions determined by the Commission, be continued without cost to him in the amounts for which he would have been insured from time to time had his salary payments continued at the same rate as on the date of cessation.

Termination of insurance.

SEC. 7. (a) The Commission is authorized, without regard to section 3709 of the Revised Statutes as amended, to purchase from one or more

Purchase of policies.
41 USC 5.

Requirements.	life insurance companies, as determined by it, a policy or policies of group life and accidental death and dismemberment insurance to provide the benefits specified in this Act: <i>Provided</i> , That any such company must meet the following requirements: (1) Be licensed under the laws of forty-eight of the States of the United States and the District of Columbia to transact life and accidental death and dismemberment insurance, and (2) the amount of its employee group life insurance on the most recent December 31 for which information is available to the Commission shall on that date equal at least 1 per centum of the total amount of employee group life insurance in the United States in all life insurance companies.
Administrative office.	(b) The life insurance company or companies issuing such policy or policies shall establish an administrative office under a name to be approved by the Commission.
Reinsurance.	(c) The Commission shall arrange with the life insurance company or companies issuing any policy or policies purchased under this Act to reinsure, under conditions approved by it, portions of the total amount of insurance under the policy or policies, determined as provided in subsection (d) of this section, with such other life insurance companies as may elect to participate in such reinsurance.
Formula for apportioning reinsurance.	(d) The Commission shall determine a formula so that the amount of insurance in force to be retained by each issuing company after ceding reinsurance and the total amount of reinsurance ceded to each reinsuring company shall be in proportion to the total amount of each such company's group life insurance in force in the United States on December 31, 1953: <i>Provided</i> , That in determining such proportions, that portion of any company's group life insurance in force on December 31, 1953, which is in excess of \$100,000,000 shall be reduced by 25 per centum of the first \$100,000,000 of such excess, 50 per centum of the second \$100,000,000 of such excess, 75 per centum of the third \$100,000,000 of such excess, and 95 per centum of any excess thereafter: <i>Provided further</i> , That the amount retained by or ceded to any company shall not exceed 25 per centum of the amount of that company's total life insurance in force in the United States on December 31, 1953: <i>Provided further</i> , That if, at the end of one year following the date of enactment of this Act, in the case of any issuing company or reinsurer which insured employees of the Federal Government on December 31, 1953, under policies issued to an association of Federal employees, the amount which results from the application of this formula is less than the decrease, if any, in the amount of such company's insurance under such policies, the amount allocated to such company shall, upon the first reallocation as provided in subsection (e) of this section, be increased to the amount of such decrease: <i>And provided further</i> , That any fraternal benefit association which is licensed under the laws of a State of the United States or the District of Columbia to transact life insurance and is engaged in issuing insurance certificates on the lives of employees of the Federal Government exclusively shall be eligible to act as a reinsuring company and may be allocated an amount of reinsurance equal to 25 per centum of its total life insurance in force on employees of the Federal Government on December 31, 1953.
Fraternal benefit associations.	
Eligibility redetermination, etc.	(e) The companies eligible to participate as reinsurers, and the amount of insurance under the policy or policies to be allocated to each issuing company or reinsurer may be redetermined by the Commission for and in advance of any policy year after the first, on a basis consistent with subsections (c) and (d) of this section, with any modifications thereof it deems appropriate to carry out the intent of such subsections, and based on each participating company's group life insurance in force, excluding that under any policy or policies

68 Stat. 739.
68 Stat. 740.

purchased under this Act except in the case of companies covered in the third proviso of subsection (d), in the United States on the most recent December 31 for which information is available to it, and shall be so redetermined in a similar manner not less often than every three years or at any time that any participating company withdraws from participation.

(f) The Commission may at any time discontinue any policy or policies it has purchased from any insurance company. Policy dis-
continuance.

SEC. 8. (a) Each policy or policies purchased under this Act shall include, for the first policy year, basic tables of premium rates as follows: Basic tables of
premium rates.

(1) For group life insurance, a schedule of basic premium rates by age which the Commission shall have determined on a basis consistent with the lowest schedule of basic premium rates generally charged for new group life insurance policies issued to large employers, this schedule of basic premium rates by age to be applied, except as otherwise provided in this section, to the distribution by age of the amounts of group life insurance under the policy at its date of issue to determine an average basic premium rate per \$1,000 of life insurance, and Life insurance.

(2) For group accidental death and dismemberment insurance, a basic premium rate which the Commission shall have determined on a basis consistent with the lowest rate generally charged for new group accidental death and dismemberment insurance policies issued to large employers. Accidental death
and dismember-
ment.
68 Stat. 740.
68 Stat. 741.

Each policy so purchased shall also include provisions whereby the basic rates of premium determined for the first policy year shall be continued for subsequent policy years, except that they may be readjusted for any subsequent year, based on the experience under the policy, such readjustment to be made by the insurance company or companies issuing the policy on a basis determined by the Commission in advance of such year to be consistent with the general practice of life insurance companies under policies of group life and group accidental death and dismemberment insurance issued to large employers. Readjustment of
rates.

(b) Each policy so purchased shall include a provision that, in the event the Commission determines that ascertaining the actual age distribution of the amounts of group life insurance in force at the date of issue of the policy or at the end of the first or any subsequent year of insurance thereunder would not be possible except at a disproportionately high expense, it may approve the determination of a tentative average group life premium rate, for the first or any subsequent policy year, in lieu of using the actual age distribution. Such tentative average premium rate shall be redetermined by the Commission during any policy year upon request by the insurance company or companies issuing the policy, if experience indicates that the assumptions made in determining the tentative average premium rate for that policy year were incorrect. Tentative av-
erage premium
rate.

(c) Each policy so purchased shall contain a provision stipulating the maximum expense and risk charges for the first policy year, which charges shall have been determined by the Commission on a basis consistent with the general level of such charges made by life insurance companies under policies of group life and accidental death and dismemberment insurance issued to large employers. Such maximum charges shall be continued from year to year, except that the Commission may redetermine such maximum charges for any year either by agreement with the insurance company or companies issuing the policy or upon written notice given by it to such companies at least one year in advance of the beginning of the year for which such redetermined maximum charges will be effective. Maximum ex-
pense and risk
charges.

Yearly accounting.

Special contingency reserve.

68 Stat. 741.
68 Stat. 742.

Benefit certificates.

Retired employees' insurance agreements, etc.
Assumption by fund.

Payments.

Transfer of assets or liability amount.

Restrictions.

(d) Each such policy shall provide for an accounting to the Commission not later than ninety days after the end of each policy year, which shall set forth, in a form approved by the Commission, (1) the amounts of premiums actually accrued under the policy from its date of issue to the end of such policy year, (2) the total of all mortality and other claim charges incurred for that period, and (3) the amounts of the insurers' expense and risk charges for that period. Any excess of the total of item (1) over the sum of items (2) and (3) shall be held by the insurance company or companies issuing the policy as a special contingency reserve to be used by such insurance company or companies for charges under such policy only, such reserve to bear interest at a rate to be determined in advance of each policy year by the insurance company or companies issuing the policy, which rate shall be approved by the Commission as being consistent with the rates generally used by such company or companies for similar funds held under other group life insurance policies: *Provided*, That, if and when the Commission determines that such special contingency reserve has attained an amount estimated by it to make satisfactory provision for adverse fluctuations in future charges under the policy, any further such excess shall be deposited in the Treasury of the United States to the credit of the fund. If and when such policy is discontinued, and if after all charges have been made, there is any positive balance remaining in such special contingency reserve, such balance shall be deposited in the Treasury of the United States to the credit of the fund, subject to the right of the insurance company or companies issuing the policy to make such deposit in equal monthly installments over a period of not more than two years.

SEC. 9. The Commission shall arrange to have each employee insured under such policy receive a certificate setting forth the benefits to which the employee is entitled thereunder, to whom such benefits shall be payable, to whom claims should be submitted, and summarizing the provisions of the policy principally affecting the employee. Such certificate shall be in lieu of the certificate which the insurance company or companies would otherwise be required to issue.

SEC. 10. (a) The Commission is authorized to arrange with any non-profit association of Federal employees for the assumption by the fund of any existing life insurance agreements of such association with its members retired or otherwise separated from the Federal service and to insure the obligations assumed with any company or companies meeting the requirements of section 7 (a).

(b) Any such arrangement shall provide that payments by such insured members for life insurance only shall thereafter be made at the same rates to the fund, under such conditions as the Commission may prescribe.

(c) Any such arrangement shall further provide that there be transferred to and deposited in the fund the lesser of the following amounts:

(1) The total assets of the life insurance fund of such association; or

(2) The amount required to meet the liabilities under life insurance agreements assumed, taking into account the payments as provided in paragraph (b). The determination of this amount shall be based on an actuarial valuation satisfactory to the Commission, procured by the association without expense to the Commission.

(d) The arrangements authorized by this section shall be made only with those associations which terminate life insurance agreements with all of their members within one year after the date of enactment of this Act, and such arrangements shall apply only to life insurance granted to any member by any such association before January 1, 1954.

(e) In any case in which the fund assumes a liability for life insurance as provided in this section in respect to a person who (1) subsequently becomes eligible to be insured as an employee under this Act, and (2) does not give notice, as provided in section 5 (a), of his desire not to be so insured, the life insurance provided under this section shall terminate as of the date such person becomes insured as an employee.

SEC. 11. Except as otherwise provided herein, the Commission is hereby authorized to promulgate such regulations as may be necessary and proper to give effect to the intent, purposes, and provisions of this Act. Promulgation of regulations.

SEC. 12. (a) There is hereby established an Advisory Council on Group Insurance consisting of the Secretary of the Treasury as Chairman, the Secretary of Labor, and the Director of the Bureau of the Budget, who shall serve without additional compensation. The Council shall meet once a year, or oftener at the call of the Commission, and shall review the operations of this Act and advise the Commission on matters of policy relating to its activities thereunder. Advisory Council on Group Insurance.

(b) The Chairman of the Commission shall appoint a committee composed of five employees insured under this Act, who shall serve without compensation, to advise the Commission regarding matters of concern to employees under this Act. Committee.
68 Stat. 742.
68 Stat. 743.

SEC. 13. The Commission shall report annually to Congress upon the operation of this Act. Report to Congress.

SEC. 14. The district courts of the United States shall have original jurisdiction, concurrent with the Court of Claims, of any civil action or claim against the United States founded upon this Act. Court jurisdiction.

SEC. 15. The insurance provided by this Act and the withholdings and contributions for that purpose shall become effective when directed by the Commission. Effectivity.

Approved August 17, 1954.

